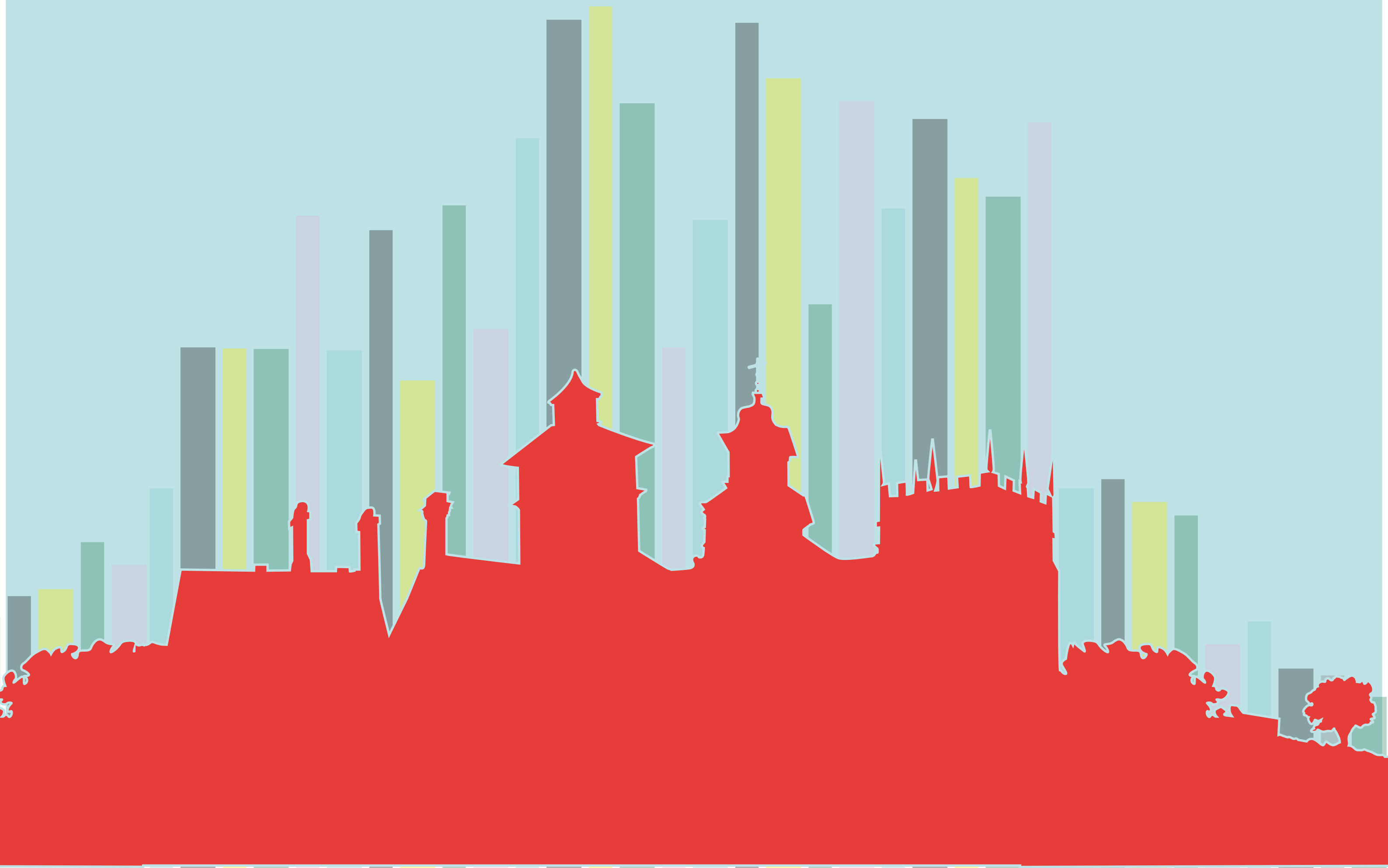
STAFFORDSHIRE moorlands DISTRICT COUNCIL

ACHIEVING · EXCELLENCE

Statement of Accounts

2019 - 2020



Contents

Chief Finance Officer's Narrative Report

The Council's Statement of Accounts for the year ended 31 March 2020, together with the accompanying notes, explains how the Council spent your Council Tax, Business Rates and other sources of funding on the provision of services during the year. The narrative report provides a financial summary focusing on the current financial challenges and opportunities as identified within the Council's Medium-Term Financial Plan (MTFP); details of the financial performance for 2019/20; a focus on the Council's Corporate Plan; risk and performance framework; identification of the Council's key strategic partnerships; and an explanation of the key financial statements. The narrative report also includes a focus on the Coronavirus pandemic and the impact it has had and will continue to have on the Council and the community it serves.

Financial Summary

The District of Staffordshire Moorlands covers an area of 57,600 hectares, of which 32.16% is classed as rural, and serves a resident population of 97,106. There are currently 44,275 domestic households on the Council Tax valuation list and 3,104 non-domestic properties on the Business Rates list.

The District has faced significant financial challenges over recent years as a consequence of austerity measures along with cost pressures within services and greater volatility in financing streams. The shift in local authority financing has increased the focus on locally generated income streams – such as Council Tax and Business Rates, and reduced the reliance on core Central Government funding. This increases the control and influence the Council has over income generated within the District but also makes it vulnerable to fluctuations within the local economy, hence increasing financial risk. The impact of the Coronavirus pandemic will no doubt increase this financial risk.

Coronavirus Pandemic

Towards the end of the financial year, the world has witnessed unprecedented measures in response to the Coronavirus (Covid-19) pandemic. The Government imposed a national lockdown from 23rd March 2020, meaning many businesses and attractions within the District were forced to close. Public services have been at the forefront of responding to the impact of Coronavirus and supporting local communities, and are now required to play a pivotal role in the recovery phase and adapting to the 'new normal'. The below paragraphs provide some detail of the impact the pandemic has had or will potentially have on Staffordshire Moorlands District Council.

Provision of Services

The Council quickly put into action its plan to help delay the spread of the virus and manage the potential impacts of the effects of the virus on staff, services and members of the public. The measures reflected the advice provided by the government and Public Health England.

The emphasis has been to maintain public safety, continuing to provide essential services, supporting communities and businesses, as well as protecting elected members, staff and contractors. Since late March, all of the Council buildings have been closed to members of the public except for urgent matters by appointment only.

Critical services and those enabling services required to support them are clearly identified in the Council's existing business continuity plans. These services have been prioritised to support the pandemic response and with an emphasis on continuity should the Council have a reduction in its workforce or have to divert resources to respond to government guidance. In addition there have been a number of additional functions that the Council has had to fulfil during the response.

Government issued guidance under Procurement Policy Note 02/02 which set out specific requirements for Local Authorities providing reliefs to suppliers during the pandemic; the Council has been working with suppliers as required with regard to this.

Council's Workforce

The Covid 19 pandemic has impacted significantly on the working arrangements for the Council's employees.

The response to the pandemic has seen the following changes to working practices:

- Where possible staff are working from home;
- Front line staff are working safely with the appropriate PPE;
- Staff are being redeployed from time to time in order to support the additional demand created by a number of new service functions e.g. small business grant processing; providing support for vulnerable people etc.
- Temporary arrangements around working hours have been made to ensure flexibility in working arrangements to support those colleagues with caring responsibilities, especially those with children since the closure of the schools and other childcare facilities.

As we move further into the recovery phase, the requirement for PPE is becoming increasingly prevalent. The Council is continually reviewing the guidance issued by the Government in terms of Health & Safety to ensure staff are adequately protected in the circumstances. The Council has reviewed and undertaken further risk assessments in the light of the emerging guidance to ensure that staff who are supporting the community through essential services have the correct PPE available to them.

Reserves, Financial Performance and Financial position

There has not been a significant impact on the financial outturn for 2019/20, owing to the fact that behaviours were only notably affected for the last two weeks of March.

However, the crisis is having a significant financial impact on the Council's 2020/21 budget. The financial impact is arising from additional expenditure in dealing with the crisis both externally and organisationally, lost income and savings targets that may not be met within the same timeframe due to resources being diverted elsewhere.

Costs and reductions in income are being monitored and updated on an ongoing basis in line with a full financial risk assessment. The financial impact on the Council's General Fund in 2020/21 is predicted to be up to approximately £2.3m. This impact will be partially offset by emergency government funding of approximately £1m (with further funding anticipated following a Government announcement on 2nd July). With this government support, it is likely that the financial effect on the current financial year will be able to be managed with the use of the authority's reserves which have been boosted by the 2019/20 surplus.

The Council will be commencing an early review of the Medium Term Financial Plan to determine the longer term financial impact.

Cash Flow Management

The reductions in income and additional costs incurred by the Council as a result of Covid 19 will impact potentially negatively upon cash flow. The immediate impacts of this have been avoided as the Government have paid funding in advance to Authorities and deferred business rates payable to Central Government

Despite this there may be cash flow implications of the longer term impact of Covid 19. This will inevitably result in the ability to use surplus cash to reduce the requirement to borrow being limited. This will have an impact on the Council's Treasury Management Strategy.

Major Risks to the Authority

The pandemic has resulted in a number of specific risks that need to be assessed and managed these include:

- Inability to deliver critical services due to loss of staff
- Inability to maintain financial sustainability of the Council
- Failure to deliver health and safety responsibilities
- Safeguarding issues arise through the enhanced level of community support
- Staff are at increased risk in certain services
- Increased risk of fraud and cyber security breach
- Lack of PPE for key workers
- Increase in community safety issues which are difficult to respond to due to capacity
- Economy is deflated post recovery leading to ongoing economic issues in town centre and wider economy

Risk assessments have been completed for all services and mitigation measures are being built in to the Council's recovery plans.

Plans for Recovery

Work commenced in the planning of the Council's planning for recovery in late April. Before commencing the more formal planning and in particular establishing what the Council needed to focus on, it was essential that the scope of the work that needs to be undertaken was understood fully.

In order to shape the Councils' proposed response, the Council's Senior Management team identified the key areas for the response. The proposed responses have been categorised into five work streams. The work streams are:

Work Stream	Recovery Focus
Reinstating Services	• Re-establishing a baseline of current service provision; • Planning for re-providing services that have been stopped during the lockdown; • Dealing with backlogs of work • Planning for increased service demands • Planning for new service demands; • Restarting projects after the enforced delays • Rehoming displaced homelessness clients • Supporting the re-opening of town centres
Economic Recovery	• Developing an evidenced based understanding of the impact on our local economy and businesses • Understanding and planning of our role in providing business support • Co-ordination of response arrangements with partner organisations • Developing and implementing projects locally to aid economic recovery

Community Recovery	• Developing an evidenced based understanding of the impact on our local communities • Understanding and planning for the impact on the support services that we currently provide • Providing support and coordination to the local voluntary sector, community groups and other partners • Developing community cohesion in respect of the response
Financial Recovery	• Developing revised financial plans take account of the financial impact and plan for the ongoing implications; • Accounting for the significant treasury impact e.g. on reserves and ongoing cash flow; • Identifying and planning for the additional costs of new service demands; and • Providing for the additional costs arising from recovery.
Positive Legacy	• Realising future benefits from the remote / home working arrangements that have worked effectively • Realising the benefits from the additional 'channel shift' – access to services • Reassessing priorities in light of the new demands for services • Using new business contact understanding to realise local procurement ambitions • Opportunity to remove unnecessary bureaucratic governance arrangements • Continue the enhanced communication dialogue with partners

The recovery process will be a significant focus for the Council in both the short and longer term to address the impact on both the Council and residents and communities.

Impact on the 2019/20 Accounts

Valuation of the Authority's financial assets and liabilities is underpinned by the concept of Fair Value. This is the price that would be received to sell an asset or paid to remove a liability in an orderly transaction (i.e. not a forced liquidation) between market participants at the measurement date under current market conditions. Currently market conditions are very volatile as Covid 19 has introduced a high level of uncertainty as to the future performance of the economy at the global, national and local level.

The Authority has ensured that all those tasked with providing measurements have applied best practice and followed national guidance in making their estimations. It is acknowledged however that the level of estimation uncertainty contained within these Statements will be higher than normal in these key areas;

Area of Estimation	Estimation Applied
Property, Plant & Equipment (Balance Sheet valuations and charges to services for use of assets)	The Authority's property Valuer, Capita, have included with their valuations a statement confirming that while their figures are based on evidence available as at the valuation date, they are subject to considerable material uncertainty. As by far the greater part, by value, of property assets are revalued each year neither the Authority nor the Valuer have seen a need for additional valuations or to undertake an impairment review. Those assets whose Fair Value is based on market values are potentially the most impacted by the economic situation and include the Authority's investment properties and surplus assets. The Valuer has provided the authority with a commentary as to which specific asset's future valuations may be most impacted by Covid 19 but owing to the underlying uncertainty has not quantified this potential impact.
Retirement Benefits (Balance Sheet valuations and charges to services for their share of accrued pension costs)	The Authority's pension fund is administered by Staffordshire County Council and the actuarial firm of Hymans Robertson LLP is tasked with providing a valuation of the pension liability as at 31st March. All parties were aware that as a result of the Covid 19 pandemic pension fund investments were subject to volatility. The markets, however, continued trading and it was considered that sufficient information was available to measure the financial instruments at the measurement date. However, it should be noted that the pension fund itself has disclosed a material uncertainty in their financial statements following a similar disclosure by the valuers of the fund's directly held properties. In accordance with RICS guidance the valuers have reported that their £415m valuation of these properties may be materially misstated as a result of Covid 19. In total the fund held £4,729m of investments at the year end. Pension funds exist to provide retirement benefits into the future and their valuation reflects both these commitments and the predicted income streams from contributions and investments over the long term. This extended timeframe means that while valuations may reflect immediate economic conditions their impact will tend to smooth out over time.
Financial Instruments (Balance Sheet valuations and charges to services for any gain or loss on their carrying value)	At the financial year end the Authority's Balance Sheet includes values for outstanding creditors or debtors including amounts borrowed and investments held. Their carrying value should reflect the likelihood of receipt or payment. Where for instance there is likelihood that debts will not be repaid the authority will make a provision for those potential bad debts that reduces the carrying value by making an in-year charge to services. The levels of such provisions are informed by historical precedence but should reflect the economic outlook at the financial year end. The impact of the Covid 19 pandemic on the economy at all levels has been taken into account when making assessments of what impairment, if any, should be applied to the carrying value of the Authority's financial assets and liabilities. Owing to the immediate impact on the local economy the Authority has increased the level of provision made for bad debt against the amounts owed for council tax, business rates and sundry debts. However the Authority's borrowings and investments tend to be with larger national entities better placed to benefit from the financial support packages implemented by Government and the Bank of England. The Authority therefore, informed by guidance from Link Group, its treasury advisors, has concluded that owing to the counterparts involved there would be no significant impact on carrying values.

	The level of uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy makes it very difficult to accurately assess the impact on the financial assets and liabilities held by the Authority. The situation will continue to be monitored and where required any expected credit loss provision and/or movement in fair value will be reported and recognised during the 2020/21 financial year.

Changes to Accounting Reporting Deadlines - The Ministry of Housing, Communities and Local Government (MHCLG) confirmed the details of the changes made to the Accounts and Audit Regulations 2015 in a letter to authorities on 3rd April 2020. The final publication date for audited accounts has moved from 31st July 2020 to 30th November 2020 for all local authority bodies.
Draft accounts must be confirmed by the responsible finance officer (RFO) and published by 31st August 2020 at the latest.

Future Challenges and Opportunities

In addition to Covid-19, the narrative below sets out some of the more significant recent developments which have or may have a potential impact on the financial position of the Authority.

Changes to Local Government Finance

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

Revenue Support Grant - The Secretary of State for Communities and Local Government presented the Local Government finance settlement 2016/17 to the House of Commons on 17th December 2015. This was made in the context of the Chancellor's Autumn Statement / Spending Review and included a four year settlement offer to Authorities for Revenue Support Grant (the Local Government core grant) which confirmed the phasing out of the grant by 2020. Consequently 2019/20 was the first year of zero revenue support grant funding for the Council.

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

In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to Local Government retaining 100% of Business Rates and an end to Revenue Support Grant (as discussed above).

This has subsequently been revised to a 75% retention scheme, and during the year, Government invited Authorities to make an application to 'pilot' the 75% scheme in 2019/20. Staffordshire Authorities were successful in being named as a pilot for 2019/20 – which has generated a forecast windfall of £521,000 in 2019/20.

There remains uncertainly surrounding how the new system will be phased in and in what form – the approved pilots will support the Government in forming the final model. In light of the Coronavirus pandemic, Government have announced a delay to the implementation of the new system until 2021/22. Therefore, no financial assumptions based on the new system have been included with the Council's financial plans at this stage - these will be fed into the plans once we have more certainty around how the system will operate.

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

Council Tax - The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. The threshold was temporarily increased to 2.99% from 1st April 2019 (to better reflect CPI), and a Council Tax increase of 2.9% was applied by the Council for 2019/20. The threshold has been reduced back to 2% from 1st April 2020, consequently a Council Tax increase of 1.9% has been applied in 2020/21.

New Homes Bonus - In the provisional Local Government financial settlement released in December 2019, the Government confirmed that in Spring 2020 it would be consulting on a replacement for the New Homes Bonus scheme (a financial reward scheme awarded to Authorities who demonstrate an increase in housing provision on an annual basis).

The new housing incentive scheme will reflect a more targeted approach that rewards local government where they are 'ambitious' in delivering housing growth. At this stage, there is no further detail on what form the new scheme will take. Whilst the allocation of New Homes Bonus is secure for 2020/21 (the Council will receive £194,890 in funding next year) beyond that no commitment is made for future years.

In the absence of any further information, the current MTFP assumes the Council will continue to receive funding equivalent to that confirmed for 2020/21 but does so with the recognition of the risk this represents to the viability of the Plan beyond 2020/21.

The Efficiency and Rationalisation Strategy originally included an assumed £400,000 from stimulated housing growth, primarily from New Homes Bonus over the four years (2017-21). The low level of growth experienced in the District over the last few years has meant that little progress has been made against this target. The added uncertainty surrounding the replacement scheme casts further doubt on this target.

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

This has significantly impacted on the affordability of the Ascent business plan (the joint venture company established by the Council and Your Housing Group Limited) to deliver affordable housing across the District. Consequently, forecast revenue receipts have been revised to account for the reduction in rental income and as a result a number of strategic options continue to be considered for the future of Ascent (see 'Key Partnerships' within this section of the Accounts) with changes - which may potentially involve the dissolution of Ascent – to potentially take place during 2020/21.

Impact of Brexit

On the 23rd June 2016, the United Kingdom voted to leave the European Union as a result of the referendum. Subsequently, the then Prime Minister Theresa May activated the official mechanism that made this a reality – Article 50 of the Lisbon Treaty – on 29th March 2017, which allowed two years to negotiate withdrawal and reach agreement before the UK was due to leave the EU by 29th March 2019.

Subsequently, due to the details of an EU 'exit deal' not being agreed by Parliament, the EU granted an extension until 31st October 2019 and then a further extension to 31st January 2020. In May 2019, Theresa May announced that she would step down as Conservative Party Leader on 7th June. A leadership contest then took place with Boris Johnson announced as Prime Minister on 24th July 2020.

The Prime Minister then announced a snap election which took place in December 2019. The outcome of which gave the Government a large Parliamentary majority and put it back in control of the Brexit timetable. The prospect of further delay receded and the United Kingdom officially left the European Union on 31st January, whereupon the country entered into a transition period during which time the details of the future relationship with the European Union will start to emerge.

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

Currently the timing and direction of Brexit's influence on these areas is a matter of debate. To give an idea of the potential financial consequences, the table below quantifies the impact on the Authority's 2020/21 budget had there been a 1% change in its key economic drivers.

Risk item	Impact on MTFP
1 % change in inflation	155,000
1 % change in interest rates	88,000

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

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

Efficiency & Rationalisation Programme

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

The Efficiency and Rationalisation Strategy aims to both reduce expenditure and increase income. The need to grow income is now more of a priority as the Council moves towards being self-financing and no longer heavily reliant on direct Government funding. The Strategy was developed with the underlying principles of protecting frontline service delivery.

The Efficiency Programme is focused on five areas:-

- **Major Procurements -** The opportunity to focus attention on a number of large service functions currently provided by an external contractor / supplier. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The individual projects focus on Waste Collection, Leisure Management and Facilities Management.
- **Asset Management Plan –** Continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment.

- **Growth –** development of a clear focus on housing and economic growth based upon the established Local Plan.
- **Income Generation –** focus on increasing the yield from existing sources of income and a drive towards identifying new sources of income.
- **Rationalisation –** a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, non-statutory services and channel shift

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

The efficiency target for 2019/20 was originally set at £475,000. However, due to slippage in the delivery of the programme in 2018/19, the programme was reprofiled and the target for 2019/20 increased to £842,000. The table below shows the projected reprofiled Efficiency Programme:-

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
Original Programme	661,000	830,000	475,000	1,175,000	-	**3,141,000**
Amended Programme	661,000	395,000	935,000	702,000	448,000	**3,141,000**
--Variance	**-**	**(435,000)**	**460,000**	**(473,000)**	**448,000**	**-**
Achieved Q4 2018/19	-	93,000	(93,000)	**-**		
Revised Target	**661,000**	**488,000**	**842,000**	**702,000**	**448,000**	**3,141,000**

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

The savings achieved in 2019/20 primarily relate to the renegotiation of the Leisure Centres operation contract and insurance contract and additional income.

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

Going Concern

The Statement of Accounts 2019/20 has been prepared on a 'going concern' basis. This means the Council is viewed as continuing in operation for the foreseeable future.

The Council has a firmly embedded Financial Planning process, which includes a rolling four-year Medium-Term Financial Plan that is updated twice per year. This includes the Chief Finance Officer's statement regarding the adequacy of reserves and balances.

All known events which could cast doubt on the Council's ability to continue as a going concern are systematically mitigated. For example, budget deficits are primarily addressed through a well developed approach towards the achievement of efficiency savings, which has a proven track record of success.
There is a well established quarterly reporting process to Cabinet which monitors in year financial performance and identifies any risks in achieving the Efficiency Plan. As discussed above, a review of the Efficiency Plan was undertaken when setting the Budget and MTFP in February 2020, and the opportunity was taken to revise the expected timing of savings.

However, the Coronavirus pandemic does present many pressures to the Council's MTFP as outlined, with significant losses anticipated during 2020/21. We recognise that there remains uncertainty over the longevity of the impacts and that this may affect our current financial assumptions, and so we will be undertaking an early review of the MTFP. Any pressures that cannot be met through grant funding or in-year cost reductions will need to be met from General Fund reserves. Recognising this, the surplus generated in 2019/20 has been partially earmarked into a reserve established to specifically fund the Covid 19 recovery phase, as well boosting contingency reserves.

In terms of the Council's cash and liquidity position, detailed forecasts of cash flows are maintained for the 12 months following the date of the audit - so up to 31st December 2021. These are compared against actual cash flows on a daily basis by the Council's Finance team. In response to Covid 19, cash investments have been kept short or held in instant access accounts to support with any potential liquidity issues. The Treasury function is scrutinised by the Audit & Accounts Committee.

2019/20 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 2019/20 was driven by the need to provide effective services while satisfying the on-going economic pressure to become ever more efficient in our use of resources.

What we planned to spend

The Council set an original net Revenue budget of £9,677,270 for spending on services. It was anticipated that financing available from external grants and retained Council Tax and Business Rates would be £9,672,710 leaving £4,560 to be funded from general reserves. These reserves are held both as a contingency and to prudently support spending over the medium term.

What we actually spent

The Authority's actual performance against budget resulted in a £1,322,792 operating surplus in 2019/20, generated as set out in the table below.

Funding levels achieved were £571,413 above expectations owing primarily to better than anticipated levels of retained Business Rates accruing to the year.

Actual spend on activities during 2019/20 was £883,198 lower than anticipated. The under spend was due to savings made across a number of Council services.

The substantial underspend together with the increased income accruing to the year meant that the budgeted call on reserves was not required. Instead of a net use of reserves, 2019/20 has actually seen them increase. Adjusting the operating surplus for the nominal actual use of reserves gives the figure by which the Authority's usable reserves increased in the year, as £1,450,051.

		Budget £	Actual £	Variance £
Activites		9,677,270	8,794,072	(883,198)
Funding:	External	(9,672,710)	(10,244,123)	(571,413)
	Reserves	(4,560)	127,259	131,819
Operating Deficit / (Surplus) in the Year			(1,322,792)	(1,322,792)
Adding back the actual net use of reserves				(127,259)
Gives the increase in Reserves Generated				**(1,450,051)**

As illustrated below the surplus generated increased the value of the Authority's usable reserves to £8.042million.

Revenue Reserves	Brought Forward £000	2019/20 Net Change £000	2019/20 Revenue Balance £000	2019/20 Applied to Capital £000	Carried Forward £000
Capital Support	1,500		1,500	(1,384)	116
Earmarked	3,086	124	3,210		3,210
General Revenue	2,006	1,326	3,332		3,332
	6,592	**1,450**	**8,042**	**(1,384)**	**6,658**

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 2019/20 £1.384million 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 £1.107million.

At the end of 2019/20 the reserve stood at £3.332million, which means that a surplus of £2.225million is potentially available to support future spending plans. A review of reserves earmarked for specific purposes has resulted in net contributions from the general reserve of £0.912million. The most significant being the creation of a £0.500milion Covid 19 reserve to support the Council and its recovery programme. After these re-designations the Authority's general reserves remain £1.313million above the minimum contingency level. The current Medium Term Financial Plan expects, over the next four years 2020/21 – 2023/24, to contribute a net £35,950 into general contingency reserves to support the Revenue Budget further into the future.

Revenues Reserves	Earmarked £000	General £000	Total £000
Year End	3,326	3,332	6,658
Redesignated	912	(912)	0
Minimum Contingency	0	(1,107)	(1,107)
	4,238	**1,313**	**5,551**

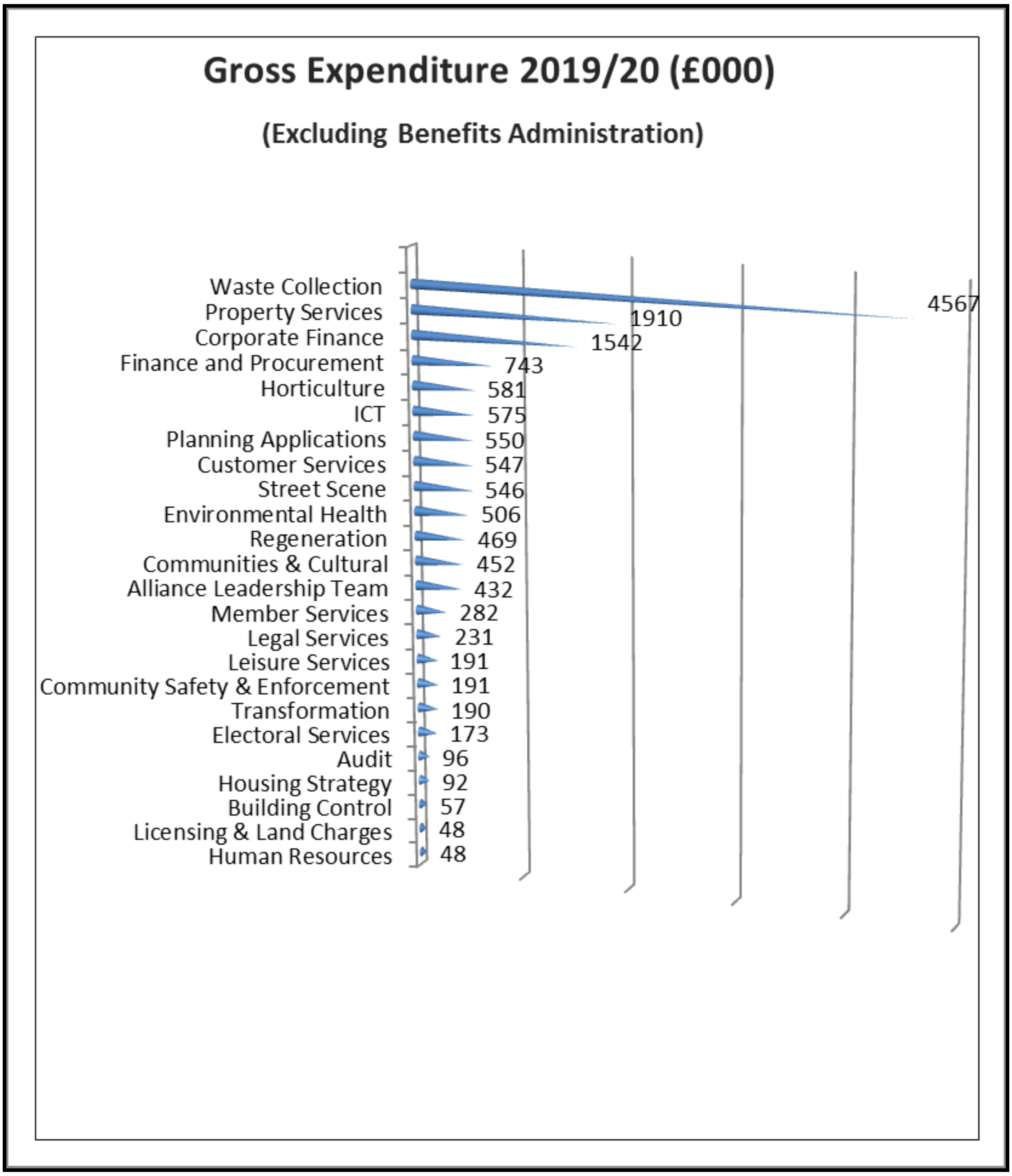
How the money was spent

The Comprehensive Income & Expenditure Statement (CIES) (page 37) summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Net Expenditure for the year was £11.022million across the 25 service areas around which the Authority organises the budgets. This figure includes nominal charges made for the use of capital assets and future pension liability. Their inclusion is a requirement to allow comparison between Councils as to the true cost of providing services. Statutory provisions however require that such charges are excluded from the amount charged to Council Tax payers.

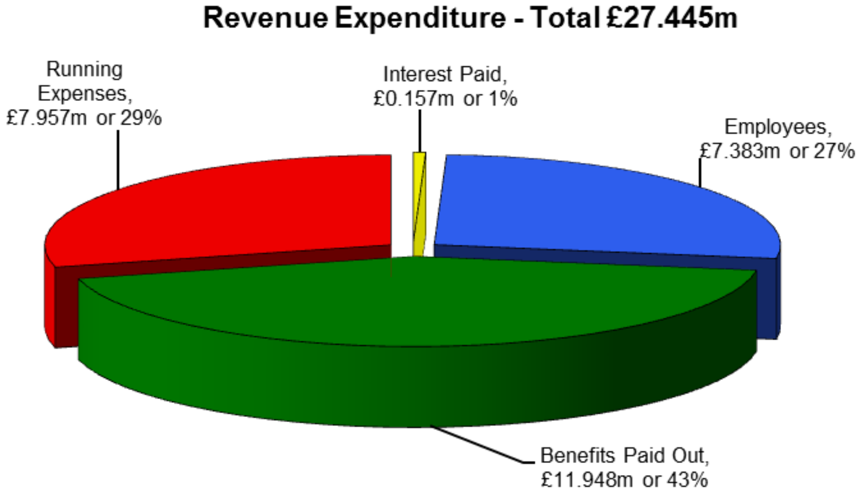
The Expenditure and Funding Analysis (EFA) (page 41) reconciles the service outturn reported in the CIES with the £8.79million spend on activities as measured against the 2019/20 budget. The table below summarises that reconciliation and by adding in external sources of funding and the use of reserves, reveals the actual gross expenditure and income behind the £1.324million surplus generated in the year.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
CIES	30,267	(19,245)	11,022
Nominal Adjustments	(2,822)	593	(2,229)
EFA	**27,445**	**(18,652)**	**8,793**
Funding :			
External		(10,244)	(10,244)
Reserves	127		127
	27,572	**(28,896)**	**(1,324)**

An analysis of the £27.44million Gross Expenditure illustrates how actual revenue resources were applied in 2019/20. At £12.43million the administration and payment of Benefits accounted for 45% of the Authority's revenue spend. The chart below profiles the remaining 55% - £15.02million - across the Authority's other service areas.

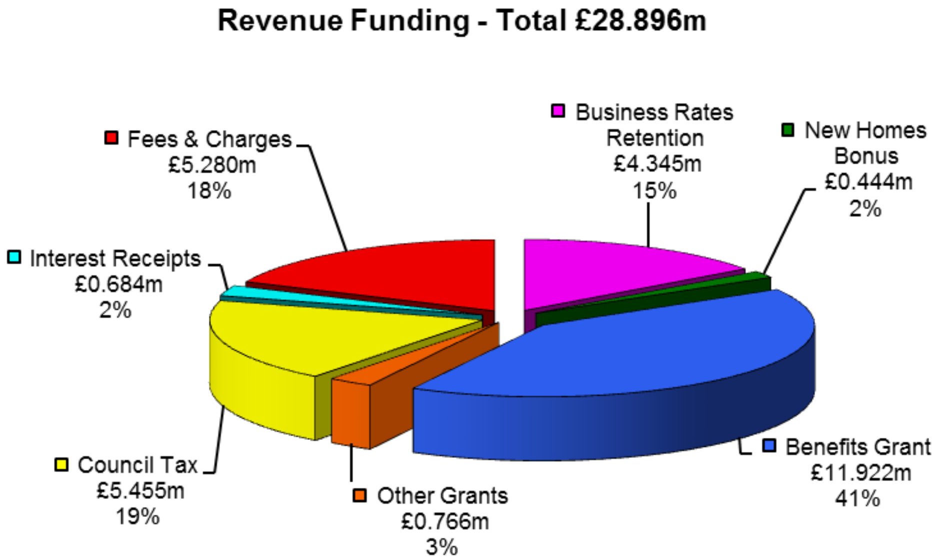


The four main categories of this spend are employee costs, running expenses, interest paid on borrowing and Housing Benefit payments made to residents. Running expenses include maintenance of buildings, vehicle costs and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure. The largest element at £11.95million is the payment of Housing Benefits on behalf of Central Government.



How it was paid for

Excluding the £11.92million Housing Benefits grant from Central Government, the chart below illustrates the continuing shift in Local Government finance to generate income locally and become self financing. Of the remaining £16.97million in funding (excluding the Benefit grant) 93% - £15.76million – is from the locally generated income streams of Council Tax, Business Rates, interest and fees and charges. Of the £1.21million of other grant funding, £0.44million relates to the New Homes Bonus grant, which is a Government grant the Authority benefits from as a result of growth in housing within the District.



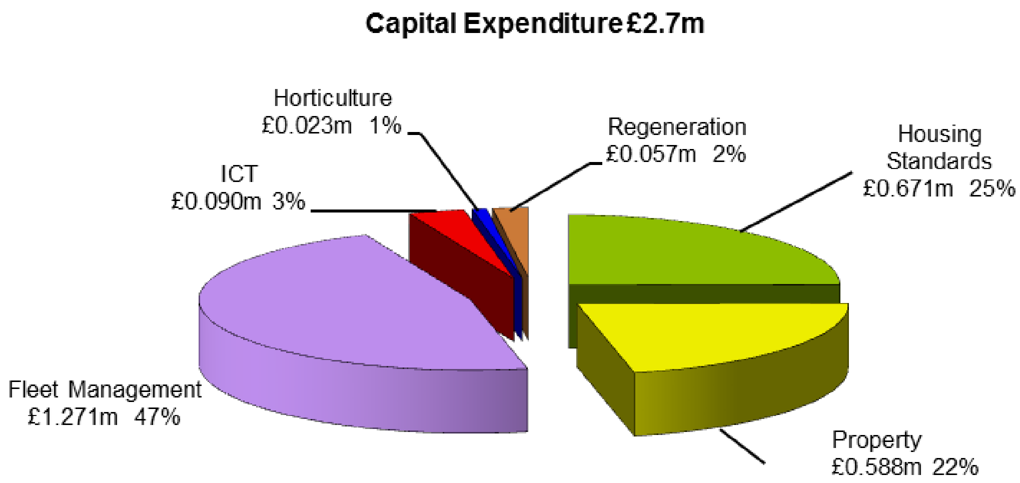
Capital Spending

Capital spending either maintains or creates new assets that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a four-year 'rolling' capital programme. This programme was last updated in February 2020 and included capital commitments of £14.4million over the period 2020/21 to 2023/24.

How the money was spent

The actual spend in 2019/20 was £2.7million. This spend was £0.608million less than that budgeted for the year owing to the re-profiling, within the overall programme, of individual projects. Major areas of capital expenditure and significant individual projects included:

- Property – refurbishment of car parks and industrial units (£0.588m);
- Fleet Management – acquisition of vehicles, through direct purchase and lease buyout, for the Council's joint operation, Alliance Environmental Services (£1.271m).
- Housing Standards - disabled facilities grants (DFG), (£0.670m).

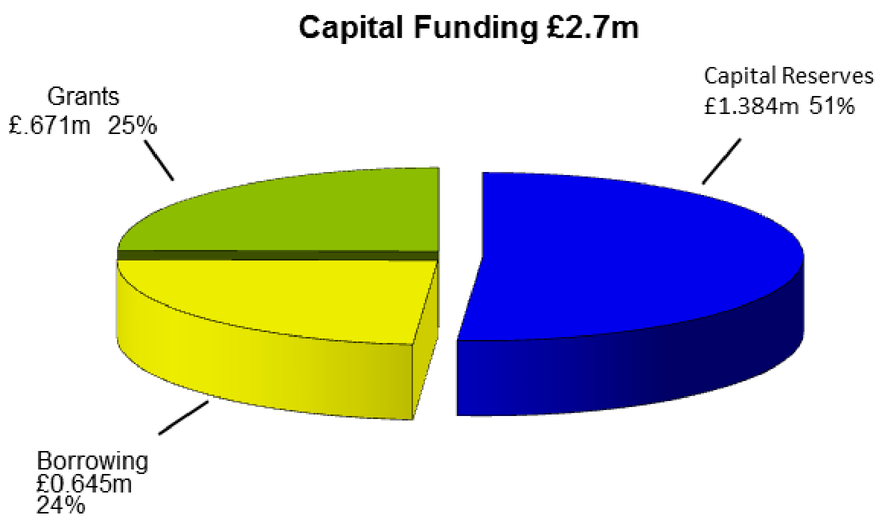


How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2019/20 capital programme is illustrated below:

- Grants – contributions from third parties and Central Government grants. The latter providing majority funding of the DFG programme.

- Revenue Reserves – over time the Council has built up revenue reserves for the purpose of supporting future capital projects.
- Borrowing – this equates to both funding by internal resources and external borrowing. The latter includes borrowing from other Local Authorities.



The Balance Sheet Perspective

At the end of 2019/20 the Authority's net worth, as reported on the Balance Sheet, stood at a net asset value of £10.371million. When compared to an opening value of £2.133million at the beginning of the year. This represents an increase in net worth of £8.238million.

	31 March 2019 £000	31 March 2020 £000
Long Term Assets	37,244	34,474
Ascent Loan	16,552	16,282
Net Current Assets (debtors, inventories, less creditors, other liabilities)	2,766	3,949
Borrowing	(11,059)	(10,053)
Pensions Liability	(43,180)	(34,127)
Other Long Term Liabilities and Provisions	(190)	(155)
Net Assets	**2,133**	**10,370**
Represented by: Usable Reserves	**8,974**	**9,962**
: Unusable Reserves	**(6,841)**	**408**

How can the Authority have experienced such an increase in value when its revenue activities actually only generated additional reserves of £66,000 in the year? The answer is a decrease in the Authority's long term pension liability offset by a decrease in the carrying value of its long term assets:

Long Term 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. At the end of 2019/20 the valuation process has resulted in a cumulative decrease in the carrying value of the Authority's properties of some £2.8million. This reflects a refinement in the valuation process applied by the Valuer to take account of the existence of alternative sites if an asset were to be replaced. The authority considers this is a reasonable approach as it acknowledges that the valuation of an asset should not only reflect its form and function but also its location. For a number of the authority's assets cheaper alternative locations would exist for any replacement and this has been reflected in their valuations.

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 2019/20 decreased the liability reported on the Balance Sheet by £9.05million to £34.13million. In part this reduction reflects that the last full valuation of the pension fund carried out as at 31st March 2019 showed an improved position when compared to the one performed 3 years earlier. The pension valuation is performed on behalf of the Council by suitably qualified professionals guided by statute and best practice. Their valuations however represent a snapshot as at 31st March 2020 and reflect the market forces and other valuation factors relevant at that date.

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

The Council's Corporate Plan

Following the local elections in May 2019, the Council has developed a new Corporate Plan covering the period 2019-2023 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 that 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	Use resources effectively 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 • Effective procurement with a focus on local business • Effective use of ICT • 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 and respond to the climate emergency	• Effective recycling and waste management • Meeting the challenges of climate change • Provision of high quality public amenities, clean streets and environmental health • Provision of quality parks and open spaces • Car parking arrangements that meet the needs of residents, businesses and visitors

Our Performance Framework, which measures our success in delivering the Corporate Plan, also reflects the three pillars of value for money: economy, efficiency and effectiveness and is fully aligned to the Council's corporate objectives. The Council publishes an Annual Report, which takes stock of the progress made in delivery of the Corporate Plan objectives and uses comparative performance and cost measures to help shape the Council's refreshed objectives. 2019/20 was the first year of the new 2019-2023 Corporate Plan.

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

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

Risk Management

The Council ensures that it undertakes a deliberate and systematic identification of the key risks that might prevent, degrade, delay or enhance the achievement of its objectives and priorities. The Council's Risk Management Strategy sets out the process for undertaking this on an ongoing basis. In addition to the identification of risks, managers also have to quantify them in terms of likelihood and potential impact. The risks are then recorded in the Council's Risk Registers. These have three aspects – strategic, operational and project risks. The Council's Strategic, Operational and Project Risk Registers are reviewed on a quarterly basis and reported into the Corporate Risk Management Group and the Audit and Accounts Committee on an exception basis.
The Council's overall risk management position is currently being reviewed in light of Covid 19 and the outcomes of this exercise will be presented for consideration at the Audit and Accounts Committee.

Our Performance in 2019/20

The Council used a range of financial and other indicators to measure performance in 2019/20. At the end of March, 67% of the Council's performance targets for the year had been met. Compared to last year 66% of measures had either maintained or improved on their previous year's performance.

The Council also exceeded its targets in a number of areas including: processing of new benefits claims, homelessness prevention, repeat complaints, Council Tax and Business Rates collection, invoice processing, street cleanliness standards, missed bins, and 'Major', 'Minor' and 'other' planning applications processed on time.

The service areas which fell short of target include households in temporary accommodation, FOI request response times, planning enforcement resolution times, fly-tipping incidents and estimated recycling rates. The impact of lockdown due to the coronavirus pandemic can also be seen in some of the outturn results.

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 data platforms such as CFOi Insights, Place Analytics and Inform.

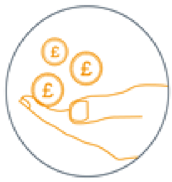
Delivering against our Corporate Aims

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:

- ✓ Dealt with 277 homelessness applications and 259 housing advice cases
- ✓ Provided supported to 105 voluntary groups
- ✓ Increased the number of council owned business units that are occupied to 95%
- ✓ Resolved 97.5% of homelessness cases
- ✓ Created 5 new sports participation programmes in priority areas
- ✓ Successfully delivered the annual SPACE programme on behalf of the PCC, which provides 6 weeks of summer diversionary activity for young people aged 8-18
- ✓ Established an Active Communities Hub with our partners to build a community-based programme of physical activity

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



- ✓ Developed 250 online forms for customers to self serve and introduced a Bereavement Care service
- ✓ Rolled out the Hybrid Mail project in order to make savings on print and postage
- ✓ Invested over £100,000 in employee training across the Alliance
- ✓ Began the rollout of Office 365 and Windows 10; and provided all new councillors with I-pads after the 2019 local elections
- ✓ Achieved a reduction in workplace accidents
- ✓ Exceeded our Council Tax and Business Rates collection targets

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

- ✓ Determined 94% of 'major' planning applications on time and assisted 283 customers through our Planning Surgeries
- ✓ Completed the refurbishment of Leek's Butter Market and held Charter Day and Twilight Market events

- ✓ Secured £1.35 million in Local Growth Funding to co-finance road improvements required to enable expansion of Blythe Vale Business estate
- ✓ Held a successful year of varied events and exhibitions at The Nicholson Museum & Art Gallery, including the 'Staffordshire Embroideries' which were donated to the Gallery in December
- ✓ Progressed the Local Plan through the Examination process
- ✓ Saw Visitor spend in the area increase to £312m with 1.68m overnight stays
- ✓ Supported the Churnet Valley Railway with their successful bid for £1.4m from the EARDF to reconnect Leek to the rail network

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

- ✓ Declared a climate emergency and set up a working group to help develop action plans to ensure carbon neutrality by 2030
- ✓ Successfully completed phase 3 of the transfer of services to AES Ltd
- ✓ Opened a woodland burial area within the Buxton Road Cemetery
- ✓ Installed floodlights on the new skate park in Leek's Brough Park, which was part funded following a successful bid to Sport England
- ✓ Maintained the Green Flag award at Ladderedge Country Park
- ✓ Resurfaced and relined 11 car parks across the district and the bus station at Leek
- ✓ Launched the successful 'Intoxicated' Campaign in Leek Town Centre prior to Christmas, which has since been showcased by Staffordshire Police
- ✓ Achieved street cleanliness standards of 94% and supported 67 community clean-up campaigns
- ✓ Helped ensure that 98% of Food Premised meet the Food Standards Agency criteria for compliance through a rigorous inspection programme

2020/21 Performance – COVID-19 Impact

The successful delivery of all corporate priorities is dependent upon the effective delivery of services in line with the targets established in the Council's performance framework.

The Coronavirus pandemic is likely to have a significant impact on the Council's performance against Corporate Plan objectives in 2020/21. Current estimations suggest that around 60% of performance indicators will be impacted adversely. This is dependent on the recovery phase and will be monitored throughout the year

Key Strategic Partnerships

Strategic Alliance

In 2008 Staffordshire Moorlands District Council entered into a "Strategic Alliance" (the Alliance) with our neighbours, High Peak Borough Council. The primary aim of the Alliance is, through joint working, to drive through service improvements, whilst reducing costs in order to increase value-for-money and minimise future Council Tax increases. The arrangement – which has featured a fully integrated Joint Senior Management Team and widespread joint service delivery – crosses both county and regional boundaries. The Alliance sits at the heart of the Council's Efficiency and Rationalisation Strategy. The 'Alliance' celebrated 10 years of existence during 2018, with a reflection on what had been achieved during this time, focusing on financial savings, service improvements and the benefits of working together as partner Authorities.

Affordable Housing Joint Venture

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

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

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

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

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

A final decision is likely to be made during 2020/21 and any impact will be fully detailed in the 2020/21 Statement of Accounts. The preferred option at this stage is for Your Housing Group to acquire the Ascent properties. Based on the valuation at which Your Housing would be prepared to purchase the Ascent properties, this would be insufficient to repay the total £24million investment held by Your Housing and the Council by an estimated £1.377 million, any resulting impairment being shared equally between the partners. Therefore, an 'expected credit loss' was applied to the Council's investment in the 2018/19 accounts in recognition of this, with a further adjustment in 2019/20 recognising the change in impairment value. An earmarked reserve has been established to fund the potential impairment.

Environmental Services Joint Venture – Alliance Environmental Services (AES)

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

The new arrangements are being introduced in a phased approach with phase one having taken place in August 2017 which focused on the transfer of the outsourced High Peak B.C. waste service to the joint venture company – Alliance Environmental Services. The second phase, took place in July 2018, which involved the transfer of the Staffordshire Moorlands D.C. Waste Service and both High Peak B.C. and Staffordshire Moorlands D.C. Fleet arrangements. Phase three took place on 1st April 2020 with the transfer of the Streets Scene and Parks services.

The collaborative arrangement has been assessed to be a joint operation with 53% of the service being used by Staffordshire Moorlands District Council and 47% by High Peak Borough Council at the reporting date and therefore is consolidated into the single entity financial statements of both Councils respectively. The financial results of the company for the 2019/20 year and the assessment of the joint arrangement are described in note 2e 'Interests in companies & other entities and joint arrangements'.

Explanation of the Financial Statements

The Statement of Accounts for the year ended 31st March 2020 has been prepared in accordance with the Accounts and Audit Regulations 2015. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by the International Financial Reporting Standards.
The Council's core financial statements, beginning at page 35, are listed below along with a brief explanation of their purpose:

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

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

- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the Council's balances and reserves and its long-term indebtedness. It also shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council;

- ***Cash Flow Statement*** - this illustrates the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- ***Group Accounts –*** these statements show consolidated Group Accounts for those subsidiaries, associates and joint ventures in which the Council has a material interest. In 2019/20, the Council has just one material interest which gives rise to group accounts for Ascent Housing LLP, a joint venture in which it holds a 49% share.

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

- ***Collection Fund*** - this reflects the statutory requirement for the Authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities.

The 2019/20 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.

Claire Hazeldene BA (Hons), CPFA

Interim Executive Director & Chief Finance Officer

Date: 30th November 2020

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 24th November 2020

Councillor Jim Davies

Chair of the Audit & Accounts Committee

Date: 30th November 2020

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 2020).

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 2020 and its income and expenditure for the year.

Claire Hazeldene BA (Hons), CPFA

Interim Executive Director & Chief Finance Officer

Staffordshire Moorlands District Council

Statement of Accounting Policy

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

1. Accounting Policies

The Accounting Policies set out from page 107 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 2019/20.

2. Accounting Standards Issued, Not Adopted

The 2020/21 Code of Practice introduces changes to a number of the reporting standards to be applied to future Statements. The Authority is obliged to consider what, if any, the impact would have been on these Statements had they been applied in 2019/20.

Investments in Associates and Joint Ventures (IAS 28): Amendment re: long term interests.
The amendment clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

Employee Benefits (IAS 19): Amendment re: pension plan amendment, curtailment or settlement.
The amendment mandates that the same re-measurement assumptions used if a plan amendment, curtailment or settlement occurs are applied in calculating the current service cost and the net interest for the period. It also clarified how these events would impact the asset ceiling. This impacts employers with past service costs or settlements over the accounting period. Currently the impact is not known and a reasonable estimate cannot be made (since it relates to future events). Where the impact is material , then if such events have occurred then all assets and liabilities are to be 're-measured' using assumptions applicable at the time of each event.

Annual Improvements to IFRS Standards 2015-17 Cycle: Provide clarification in relation to four standards:
Business Combinations (IFRS 3); when an entity obtains control of a business that is a joint operation it should re-measure previously held interests in that business.
Joint Arrangements (IFRS 11); when an entity obtains joint control of a business that is a joint operation it should not re-measure previously held interests in that business.
Income Taxes (IAS 12); any and all income tax consequences of dividends should be recognised.

Borrowing Costs (IAS 23); if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Authority's assessment is that none of the above changes would have a material impact on these Statements.

Leases (IFRS 16): introduces a single lessee accounting model:

The implementation of IFRS 16 has been deferred by CIPFA until the 2021/22 Code so it does not impact these Statements. It is included here in anticipation of its implementation next year and in recognition of the material impact it may have and the work that will be necessary to satisfy its requirements. The Authority has already commenced with identifying the relevant assets and liabilities of all leases with a term of more than 12 months including right-of-use assets. Subsequent recognition in the Statements will also require valuation of both the asset and the Authority's obligation to make lease payments. At this stage of the process it is not possible to give a reasonable estimate of the financial impact adopting the standard will have.

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

3. Prior Year Adjustments

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

- During the course of 2019/20 the following functions were transferred to other Council Service areas; Arboriculture Service moved from Horticulture to Planning Applications; Local Planning moved from Regeneration Services to Planning Applications;. This change necessitated the restatement of the CIES and some associated notes to reflect the revised service analysis. Changed tables are marked as 'Restated' and Note 17 provides a reconciliation to the original 2018/19 figures.

4. Critical Judgements in Applying Accounting Policies

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

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

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

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

- The Authority's pension liability is based on valuations performed by the scheme's actuaries. Valuations reflect historical data and projections of future liabilities and return on assets. The actuarial valuation used in these statements included an adjustment for a proposed Government initiative to address what is known as the McCloud issue (Note 4g). The Authority's auditors have subsequently advised that they think this should not have been included. The District however relies upon the professional expertise of the Actuary to translate probable future cash flows into a current Balance Sheet liability and has therefore chosen not to amend their valuation. In the Council's view this satisfies our requirement to use the most up-to-date data professionally assessed to produce a robust valuation.

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

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

- For some time there has been a high degree of uncertainty about future levels of funding for Local Government. This has been compounded by the unknown economic impact of the Covid 19 pandemic. However robust action is being taken by the Government and Bank of England and there is a presumption that local authorities, by their nature, remain going concerns. The Authority has therefore determined that this uncertainly is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

COVID-19

In the lead up to the end of the 2019/20 financial year, large parts of the UK economy were placed in enforced lockdown to deal with a global Covid-19 pandemic. These restrictions continued throughout the first quarter of 2020/21 and the Government and Bank of England implemented significant financial packages to support the UK economy. Even with these measures, UK Gross Domestic Product (GDP) is expected to fall by circa 14% in this calendar year. Whilst there is expected to be a bounce back of circa 15% in GDP in 2021, the impact on the future path of economic growth, unemployment, fiscal and monetary policy remains unknown. This has increased significantly the level of uncertainty included in the assumptions behind the estimated values reported by the Authority.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied (Note 4f highlights key assumptions). A 1% change in the assessed carrying value of the Authority's pension liability equates to £341,270 (total £34,127,000). It should be noted that Staffordshire Pension Fund have disclosed in their accounts that property valuations are reported on the basis of 'material valuation uncertainty'. Consequently a higher degree of caution has to be placed in relation to their valuation of £415m of property related assets held by the pension fund. In total the fund held £4,729m of investments at the year end. Pension funds exist to provide retirement benefits into the future and their valuation reflects both these commitments and the predicted income streams from contributions and investments over the long term. This extended timeframe means that while valuations may reflect immediate economic conditions their impact will tend to smooth out over time
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 £344,000 (total £34,400,000). It should be noted that Capita, the Authority's Valuer, have stated that owing to Covid 19's impact on market activity across many sectors they are faced with an unprecedented set of circumstances on which to base their judgements. They have therefore reported their valuations on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to their valuations, than would normally be the case.

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

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

- **Collection Fund**

Movement in Reserves Statement

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

	Notes	General Fund			Capital				
		General	Earmarked Reserves	Total	Receipts Reserve	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018		(3,106)	(4,685)	**(7,791)**	**(5)**	**(1,754)**	**(9,550)**	**2,156**	**(7,394)**
(Surplus) or deficit on the provision of Services		2,343	0	**2,343**	0	0	**2,343**	**0**	**2,343**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**2,918**	**2,918**
Total Comprehensive Income and Expenditure		2,343	0	**2,343**	**0**	**0**	**2,343**	**2,918**	**5,261**
Adjustment between accounting basis & funding basis under regulations	5	(2,489)	1,346	**(1,143)**	(69)	(554)	**(1,766)**	**1,766**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(146)	1,346	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**
Transfers to/(from) Earmarked Reserves		1,247	(1,247)	**0**	0	0	**0**	**0**	**0**
(Increase)/Decrease in 2018/19	**11**	1,101	99	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**
Balance at 31 March 2019 carried forward		(2,005)	(4,586)	**(6,591)**	**(74)**	**(2,308)**	**(8,973)**	**6,840**	**(2,133)**
(Surplus) or deficit on the provision of Services		573	0	**573**	0	0	**573**	**0**	**573**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**(8,810)**	**(8,810)**
Total Comprehensive Income and Expenditure		573	0	**573**	**0**	**0**	**573**	**(8,810)**	**(8,237)**
Adjustment between accounting basis & funding basis under regulations	5	(2,024)	1,384	**(640)**	(24)	(898)	**(1,562)**	**1,562**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(1,451)	1,384	**(67)**	**(24)**	**(898)**	**(989)**	**(7,248)**	**(8,237)**
Transfers to/(from) Earmarked Reserves		1,037	(1,037)	**0**	0	0	**0**	**0**	**0**
(Increase)/Decrease in 2019/20	**11**	(414)	347	**(67)**	**(24)**	**(898)**	**(989)**	**(7,248)**	**(8,237)**
Balance at 31 March 2020 carried forward		(2,419)	(4,239)	**(6,658)**	(98)	(3,206)	**(9,962)**	**(408)**	**(10,370)**

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.

2018/19 Restated				Notes	2019/20		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expendture
£000	£000	£000			£000	£000	£000
660	0	660	Alliance Leadership Team		596	0	596
120	0	120	Audit		132	0	132
786	(12)	774	ICT		691	0	691
54	0	54	Human Resources		48	0	48
282	(10)	272	Member Services		282	0	282
2,266	(1,078)	1,188	Property Services		2,206	(1,040)	1,166
14,430	(14,506)	(76)	Benefits		12,484	(12,355)	129
654	(478)	176	Planning Applications		616	(530)	86
61	(49)	12	Building Contol		57	(50)	7
614	(22)	592	Customer Services		617	(22)	595
231	(56)	175	Legal Services		242	(9)	233
66	(21)	45	Electoral Services		173	(65)	108
55	(261)	(206)	Licensing and Land Charges		48	(252)	(204)
603	(113)	490	Regeneration		562	(129)	433
513	0	513	Communities and Cultural		529	0	529
48	(101)	(53)	Housing Strategy		92	(93)	(1)
216	0	216	Transformation		213	0	213
273	(76)	197	Community Safety and Enforcement		229	(49)	180
924	(354)	570	Finance and Procurement		913	(351)	562
829	(244)	585	Corporate Finance		350	(104)	246
4,902	(2,014)	2,888	Waste Collection		5,465	(2,071)	3,394
593	(197)	396	Street Scene		682	(195)	487
1,591	(3)	1,588	Leisure Services		1,126	(157)	969
880	(211)	669	Horticulture		624	(114)	510
1,393	(1,536)	(143)	Environmental Health		1,290	(1,659)	(369)
33,044	**(21,342)**	**11,702**	**Cost of Services**		**30,267**	**(19,245)**	**11,022**
1,586	(69)	1,517	Other Operating Expenditure	3a	1,843	(24)	1,819
1,201	(916)	285	Financing and Investment Income and Expenditure	3b	1,374	(1,035)	339
	(11,161)	(11,161)	Taxation and Non-Specific Grant Income and expenditure	3c		(12,607)	(12,607)
		2,343	**(Surplus) or Deficit on Provision of Services**				**573**
		(1,427)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	12a			2,337
		4,345	Remeasurement of the net defined pension benefit liability	4a			(11,147)
		2,918	**Other Comprehensive Income and Expenditure**				**(8,810)**
		5,261	**Total Comprehensive Income and Expenditure**				**(8,237)**

Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2020. 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 2019 £000		Notes	31st March 2020 £000
32,892	Property, Plant & Equipment	6a	29,839
572	Heritage Assets		572
3,713	Investment Properties	6b	3,880
53	Intangible Assets		109
2,568	Long Term Debtors	8	2,359
39,798	**TOTAL LONG TERM ASSETS**		**36,759**
1,001	Short Term Investments	13a	2,202
73	Inventories		72
15,009	Short Term Debtors	8	15,825
7,191	Cash and Cash Equivalents	7	7,705
23,274	**TOTAL CURRENT ASSETS**		**25,804**
(8,524)	Short Term Borrowings	13a	(10,053)
(4,660)	Short Term Creditors	9	(6,439)
(1,849)	Provisions	10	(1,419)
(15,033)	**TOTAL CURRENT LIABILITIES**		**(17,911)**
(2,536)	Long Term Borrowing	13a	0
(43,180)	Pensions Liability	4c	(34,127)
(60)	Other Long Term Liabilities		(25)
(130)	Grants Receipts in Advance - Capital		(130)
(45,906)	**TOTAL LONG TERM LIABILITIES**		**(34,282)**
2,133	**TOTAL NET ASSETS**		**10,370**
8,973	Usable Reserves	11	9,962
(6,840)	Unusable Reserves	12	408
2,133	**TOTAL RESERVES**		**10,370**

The unaudited accounts were issued on 10th July 2020 and the audited accounts were authorised for issue on 30th November

Claire Hazeldene BA (Hons), CPFA
Interim 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.

2018/19 £000		Notes	2019/20 £000
(2,343)	Net Surplus/(Deficit) on the Provision of Services		(573)
8,641	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	16a	2,893
(1,631)	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	16a	(593)
4,667	**Net Cash Flows from Operating Activities**		**1,727**
398	Investing Activities	16c	(1,838)
(2,735)	Financing Activities	16d	625
2,330	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**514**
4,861	Cash and Cash Equivalents at the Beginning of the Reporting Period	7	7,191
7,191	**Cash and Cash Equivalents at the End of the Reporting Period**		**7,705**

Notes to the Financial Statements

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

1. *Amounts Reported for Resource Allocation Decisions*

Decisions about resource allocation are taken by the Authority's Cabinet on financial reports prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year.

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

1a. Expenditure and Funding Analysis

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

2018/19 Restated				2019/20		
Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES		Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
515	145	660	Alliance Leadership Team	432	164	596
92	28	120	Audit	96	36	132
651	123	774	ICT	575	116	691
54	0	54	Human Resources	48	0	48
272	0	272	Member Services	282	0	282
818	370	1,188	Property Services	671	495	1,166
(123)	47	(76)	Benefits	70	59	129
131	45	176	Planning Applications	19	67	86
12	0	12	Building Contol	7	0	7
531	61	592	Customer Services	524	71	595
167	8	175	Legal Services	222	11	233
45	0	45	Electoral Services	108	0	108
(206)	0	(206)	Licensing and Land Charges	(204)	0	(204)
344	146	490	Regeneration	254	179	433
452	61	513	Communities and Cultural	453	76	529
(53)	0	(53)	Housing Strategy	(1)	0	(1)
199	17	216	Transformation	190	23	213
157	40	197	Community Safety and Enforcement	142	38	180
442	128	570	Finance and Procurement	391	171	562
694	(109)	585	Corporate Finance	753	(507)	246
2,322	566	2,888	Waste Collection	2,497	897	3,394
282	114	396	Street Scene	351	136	487
655	933	1,588	Leisure Services	34	935	969
477	192	669	Horticulture	468	42	510
397	(540)	(143)	Environmental Health	411	(780)	(369)
9,327	**2,375**	**11,702**	**Cost of Services**	**8,793**	**2,229**	**11,022**
(8,127)	(1,232)	(9,359)	Other Income and Expenditure	(8,861)	(1,588)	(10,449)
1,200	**1,143**	**2,343**	**Cost of Services**	**(68)**	**641**	**573**
(7,791)			**Opening General Fund Balance**	**(6,591)**		
1,200			Less (Surplus) or Deficit in Year	(68)		
(6,591)			**Closing General Fund Balance**	**(6,659)**		

1b. Note to the Expenditure and Funding Analysis

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

2018/19 Restated					2019/20			
Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
0	145	0	145	Alliance Leadership Team	0	164	0	**164**
0	28	0	28	Audit	0	36	0	**36**
123	0	0	123	ICT	116	0	0	**116**
0	0	0	0	Human Resources	0	0	0	**0**
0	0	0	0	Member Services	0	0	0	**0**
173	30	167	370	Property Services	250	46	199	**495**
0	47	0	47	Benefits	0	59	0	**59**
0	45	0	45	Planning Applications	0	67	0	**67**
0	0	0	0	Building Contol	0	0	0	**0**
0	61	0	61	Customer Services	0	71	0	**71**
0	8	0	8	Legal Services	0	11	0	**11**
0	0	0	0	Electoral Services	0	0	0	**0**
0	0	0	0	Licensing and Land Charges	0	0	0	**0**
21	33	92	146	Regeneration	52	36	91	**179**
1	60	0	61	Communities and Cultural	2	74	0	**76**
0	0	0	0	Housing Strategy	0	0	0	**0**
0	17	0	17	Transformation	0	23	0	**23**
40	0	0	40	Community Safety and Enforcement	38	0	0	**38**
0	128	0	128	Finance and Procurement	0	171	0	**171**
(115)	(415)	421	(109)	Corporate Finance	(46)	(988)	527	**(507)**
266	312	(12)	566	Waste Collection	452	445	0	**897**
67	47	0	114	Street Scene	151	0	(15)	**136**
933	0	0	933	Leisure Services	935	0	0	**935**
192	0	0	192	Horticulture	45	0	(3)	**42**
(624)	84	0	(540)	Environmental Health	(891)	111	0	**(780)**
1,077	**630**	**668**	**2,375**	**Cost of Services**	**1,104**	**326**	**799**	**2,229**
(1,056)	1,005	(1,181)	(1,232)	Other Income and Expenditure	(676)	1,051	(1,963)	(1,588)
21	**1,635**	**(513)**	**1,143**	**Difference between General Fund (Surplus)/ Deficit and Comprehensive Income and Expenditure Statement**	**428**	**1,377**	**(1,164)**	**641**

Adjustments for Capital Purposes

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

Within Cost of Services

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

Within Other Income and Expenditure

- Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the

year to those receivable without conditions or for which conditions were satisfied throughout the year.
- Credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

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

Within Other Income and Expenditure
- Records the net interest on the defined benefit liability charged to the CIES.

Adjustments for Other Differences

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

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

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

1c. Expenditure and Income Analysed by Nature

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

	2018/19 £000	2019/20 £000
Employee Expenses	8,883	8,740
Other Service Expenses	22,574	19,905
Depreciation, Amortisation and Impairment	2,996	2,839
Interest Payments	177	157
Precepts & Levies	1,198	1,276
Derecognition and Disposal Value of Fixed Assets	3	567
Total Expenditure	**35,831**	**33,484**
Fees, Charges & Other Service Income	(5,404)	(5,278)
Interest and Investment Income	(657)	(747)
Council Tax	(6,450)	(6,664)
Business Rates	(3,571)	(5,498)
Government Grant	(15,775)	(13,132)
Capital Grants and Contributions	(1,562)	(1,568)
Capital Receipts	(69)	(24)
Total Income	**(33,488)**	**(32,911)**
(Surplus) or Deficit on the Provision of Services	**2,343**	**573**

1d. Segmental Analysis

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

2018/19 Restated £000	Fees, Charges and Other Income	2019/20 £000
(10)	Member Services	0
(1,245)	Property Services	(1,233)
(250)	Benefits	(134)
(444)	Planning Applications	(463)
(49)	Building Contol	(50)
(23)	Customer Services	(23)
(56)	Legal Services	(9)
(2)	Electoral Services	(2)
(261)	Licensing and Land Charges	(250)
(205)	Regeneration	(215)
(1)	Housing Strategy	0
(224)	Finance and Procurement	(212)
(219)	Corporate Finance	(61)
(2,014)	Waste Collection	(2,071)
(180)	Street Scene	(195)
(3)	Leisure Services	(156)
(132)	Horticulture	(110)
(86)	Environmental Health	(94)
(5,404)	**Total Analysed on a Segmental Basis**	**(5,278)**

2. Net Cost of Services

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

a. Member Allowances
b. Officer Remuneration
c. Related Party Transactions
d. Audit Costs
e. Interest in Companies & Other Entities and Joint Arrangements

2a. Members' Allowances

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

	2018/19 £	2019/20 £
Allowances	247,314	248,429
Expenses	5,952	8,924
Total	**253,266**	**257,353**

2b. Officers' Remuneration

Remuneration paid to the Authority's senior employees:

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

2019/20	Salary, Fees and Allowances £	Expenses Allowances £	Total (excl Pension cont) £	Pension Contribution £	Total (inc Pension cont) £	Proportion of Total charged to HPBC £	Net Charge to SMDC £
Senior Officer with Salary over £150,000							
Chief Executive Officer - S Baker*	153,975	38,043	192,018	25,854	217,872	127,089	90,783
Senior Officers with Salary over £50,000 to £150,000							
Executive Director & Chief Financial Officer	127,720	10,107	137,827	21,202	159,029	95,417	63,612
Executive Director & Monitoring Officer	122,075	4,460	126,535	20,264	146,799	88,080	58,719
Assistant Chief Executive**	65,235	883	66,118	10,829	76,947	53,863	23,084
Audit Services Manager	59,184	5,470	64,654	9,825	74,479	44,687	29,792
Democratic & Community Services Manager	59,184	963	60,147	9,825	69,972	34,986	34,986
Finance & Procurement Manager	63,767	963	64,730	10,585	75,315	37,658	37,657
Operations Manager Environment Services (Regulatory)	59,184	6,054	65,238	9,825	75,063	37,531	37,532
Operations Manager Contract Management	59,184	963	60,147	9,825	69,972	38,484	31,488
Operations Manager Direct Services	59,891	963	60,854	9,943	70,797	28,318	42,479
	829,399	**68,869**	**898,268**	**137,977**	**1,036,245**	**586,113**	**450,132**

* Left March 2020
** Left March 2020

As can be seen from the tables above, there is a recharge to High Peak BC of £586,113 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 £221,584 as detailed below.

2019/20	Salary, Fees and Allowances	Expenses Allowances	Total (excl Pension cont)	Pension Contribution	Total(inc Pension cont)	Charge to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£
Executive Director *	76,699	803	77,502	9,439	86,941	39,123	47,818
Organisational Development & Transformation Manager	59,184	963	60,147	7,339	67,486	26,994	40,492
Legal & Electoral Services Manager	59,184	963	60,147	7,339	67,486	26,994	40,492
Asset Manager	52,246	963	53,209	6,478	59,687	19,697	39,990
Regeneration Manager	54,600	963	55,563	6,770	62,333	31,167	31,166
Operational Manager - Planning & Building Control	59,184	963	60,147	7,339	67,486	33,743	33,743
Operational Manager - Housing & Benefits	59,184	963	60,147	7,339	67,486	13,497	53,989
Operational Manager - Customer Services	59,184	963	60,147	7,339	67,486	30,369	37,117
	479,465	**7,544**	**487,009**	**59,382**	**546,391**	**221,584**	**324,807**

*Left December 2019

2018/19 Comparatives

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

* Left December 2018
** Left July 2018

Senior Officers with between £50,000 and £150,000 charged from High Peak Borough Council during 2018/19:

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

Termination benefits paid to the Authority's non senior employees:

The Authority, in conjunction with High Peak BC, entered into a joint Voluntary Redundancy process during 2010/11, whereby the contracts of a number of employees were approved for termination. Although many of those affected left the Authority in 2011/12, a small number of further departures have occurred annually since then. However, as with 2018/19, no new departures were approved in 2019/20.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	0	0	1	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
Total	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**

In addition to any in-year costs, a further £545,697 is payable in future pension contributions on staff departures under this process between 2010 and 2016.

As no in-year departure of shared employees took place, no costs were charged to High Peak BC in 2019/20 (this was also the case in 2018/19). High Peak BC is liable for £161,565 of the future pension costs associated with previous departures as they become payable.

No shared employees left High Peak Borough Council in either 2018/19 or 2019/20; consequently there has been no recharge to Staffordshire Moorlands.

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

2c. Related Parties

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

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

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

Subsidiary, associated companies or joint ventures:
The Strategic Alliance with High Peak Borough Council involves development of joint working at all levels, including shared resources and staff. The two Authorities, however, retain their political and financial independence and accountability.

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

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

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

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

Charity	Funding £000
Biddulph in Bloom	5
Staffordshire North & Stoke on Trent Citizens Advice Bureau	23
Leek Citizens Advice Bureau	29
Cheadle Citizens Advice Bureau	32
Haregate Community Centre	5
North Staffordshire Railway Company	90

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 Interim 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.

	2018/19 £000	2019/20 £000
Fees payable to the appointed auditors for external audit services carried out for the year	35	42
Fees payable to the external auditors for the certification of grant claims and returns for the year	8	8
Fees payable in respect of other services provided by the external auditors during the year	11	11
Total	**54**	**61**

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

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

High Peak Borough Council - Strategic Alliance

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

Any costs and savings, incurred and accruing in an accounting period, are accounted for by the relevant Authority. The Alliance related expenditure of SMDC amounted to £3,043,300 in 2019/20 (£3,022,712 in 2018/19). The corresponding income received from HPBC was £2,740,025 in 2019/20 (£3,539,159 in 2018/19).

	Paid by SMDC to HPBC	Paid by HPBC to SMDC
	£000	£000
Contribution to Employee Costs	2,337	2,102
Contribution to Other Costs	403	941
Total	**2,740**	**3,043**

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

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

A full copy of the Ascent Housing LLP Report and financial statements for the Year ended 31 March 2020 can be obtained from Ascent Housing LLP, 602 Aston Avenue, Birchwood Park, Warrington, WA3 6ZN.

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

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

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

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

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

The company has reported a profit at the balance sheet date of £32,000, which is held on the company's balance sheet in reserves. During the year AES has provided services in proportion of 53% to Staffordshire Moorlands District Council and 47% to High Peak Borough Council. These proportions are shown in the tables below and are consolidated into the respective Councils' financial statements.

2018/19	Council share of AES Income and Expenditure Statement	2019/20
£000		£000
(3,219)	Turnover	(4,250)
2,871	Cost of Sales	3,762
(348)	**Gross Profit**	**(488)**
294	Administrative Expenses	466
(54)	**Profit from Operating Activities**	**(22)**
5	Finance Costs	5
(9)	Corporation Tax Expense/ (Refund)	1
(58)	**(Profit)/Loss for Year**	**(16)**

31 March 2019 £'000	Council share of AES Balance Sheet	31 March 2020 £'000
112	Fixed Assets	48
777	Current Assets	508
889	**TOTAL ASSETS**	**556**
(770)	Current Liabilities	(452)
(56)	Long Term Liabilities	(25)
(826)	**TOTAL LIABILITIES**	**(477)**
63	**TOTAL NET ASSETS**	**79**
	Capital and Reserves	
63	Retained Earnings	79
63	**TOTAL RESERVES**	**79**

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

2018/19 £000		2019/20 £000
1,198	Parish Council Precepts	1,276
(69)	Capital Receipts	(24)
388	Derecognition and Disposal Value of Fixed Assets	567
1,517	**Total**	**1,819**

3b. Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
177	Interest payable and similar charges	157
1,003	Pensions interest cost and expected return on pensions assets	1,051
(658)	Interest receivable and similar income	(747)
(593)	Income and expenditure in relation to investment properties and changes in their fair value	(455)
356	Impairment of Financial Instrument	333
285	**Total**	**339**

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

2018/19 £000		2019/20 £000
(6,452)	Council Tax Income	(6,665)
(2,404)	Retained Business Rates	(4,030)
(2,255)	Non Ringfenced Government Grants	(1,912)
(50)	Capital Grants and Contributions	0
(11,161)	**Total**	**(12,607)**

3d. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £000		2019/20 £000
	Non Ringfenced Government Grants	
(408)	Revenue Support Grant	0
(1,167)	Business Rates Grants	(1,468)
(682)	New Homes Bonus Grant	(444)
(2,257)		**(1,912)**
	Capital Grants and Contributions	
(50)	Capital Grants	0
(50)		**0**
	Capital Grants Applied to CIES	
(1,449)	Disabled Facilities Grant	(1,563)
(63)	Capital Grants	(5)
(1,512)		**(1,568)**
	Credited to Services	
(14,108)	Housing Benefit Subsidy	(11,998)
(192)	New Burdens Grants	(270)
(306)	Other Third Party Funds	(420)
(14,606)		(12,688)
(16,118)	**Total**	**(14,256)**

4. Retirement Benefits

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

a. Participation in Pension Schemes
b. Transactions relating to retirement benefits
c. Assets and Liabilities in relation to retirement benefits
d. Scheme history
e. Basis for estimating assets and liabilities
f. Sensitivity to changes in actuarial assumptions
g. McCloud judgment and guaranteed minimum pension (GMP) equalisation

4a. Participation in Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits through membership of the Local Government Pension Scheme (LGPS). Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, that need to be disclosed, at the time that employees earn their future entitlements. The Council is a member of the Staffordshire County Pension Fund, which is administered by Staffordshire County Council in accordance with the LGPS Regulations 1997. Overall strategy for the Fund is set by the Pensions Committee, which also monitors performance and administers the scheme. The appointment of Investment Managers is the responsibility of the Pensions Panel. Both bodies are made up of elected members.

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

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

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

Funded - a pension fund of investments is built up from employee and employer contributions to generate income streams out of which retirement benefits are paid. The Council pays contributions to the pension fund sufficient to ensure that it can meet future payment obligations. These contributions are set on rates that are determined by Hymans Robertson LLP, the pension fund's professionally qualified and independent actuaries and are based on triennial valuations of the fund. The Fund was last revalued as at 31st March

2019 and this set the required employer contribution rates for the three years commencing 1st April 2020. A further revaluation exercise is scheduled to be undertaken during 2022. As the Fund is effectively underwritten by the employers, any deterioration in performance can have serious long term financial consequences for the Council. Steps have been taken nationally to mitigate this risk to the local taxpayer, by reforming the LGPS and introducing a greater element of future cost sharing between the scheme employers and the scheme beneficiaries. A legal challenge to these reforms is currently on-going (see section 4g below).

4b. Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2018/19	2019/20
Comprehensive Income and Expenditure Statement:	**£000**	**£000**
Current service cost	(1,830)	(2,092)
Past service cost (including curtailments)	(430)	0
Net Interest		
Interest cost on defined benefit obligation	(2,492)	(2,452)
Interest income on plan assets	1,489	1,401
Total post employment benefit charged to the Surplus or Deficit on the provision of services	**(3,263)**	**(3,143)**
Remeasurements		
Changes in demographic assumptions	0	3,840
Changes in financial assumptions	(7,296)	7,904
Other experience	(14)	4,069
Return on assets excluding amounts included in net interest	2,963	(4,693)
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	**(7,610)**	**7,977**
Movement in Reserve Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	3,263	3,143
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	**996**	**1,076**

The Comprehensive Income & Expenditure Statement shows the net cost of the defined pension benefit liability as being £11,147,000. This figure takes into account the actual payments made to the Fund during the year. This differs from the Pension disclosures in note 4, which include the estimated employer pension contributions used by the actuary in preparing the IAS19 report. The table below reconciles this difference and provides further detail:

Difference on Remeasurement of net defined benefit liability compared	**2019/20**	
	£000	**£000**
CIES Remeasurement of net defined benefit liability		(11,147)
Pensions - Total post employment benefit charged to services (above)	3,143	
Pensions - Total post employment benefit charged to CI&E (above)	7,977	11,120
Difference on CIES compared with Note 4		**(27)**
Employer Contributions to Fund:		
Actuarial estimate for IAS19 purposes		1,076
Actual contributions accounted for in 2019/20	1,768	
less 'prepaid' lump sum deficit payment	(719)	
		1,049
Difference on Estimation		**27**

4c. Assets and Liabilities in Relation to Retirement Benefits

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

Staffordshire Moorlands DC share of Pension Fund assets and liabilities	**31-March-19 £000**	**31-March-20 £000**
Estimated Assets in the Scheme	58,947	54,281
Estimated Liabilities in the Scheme	(102,127)	(88,408)
Net defined benefit obligation asset/ (Liability)	**(43,180)**	**(34,127)**

Comparison with Pension Reserve:

Pension Reserve (Note 12d)	(43,899)	(34,127)
Difference	**(719)**	**0**

The £8.622 million reduction in the net liability between years in part reflects the outcome of the 2019 formal Fund Valuation. This improvement is mainly as a result of a higher discount rate used to forecast future asset and obligation values as well as a change in demographic assumptions. The impacts of the McCloud judgement and GMP equalisations referred to in 4g below are also reflected in the valuation. The relative movement in individual asset and liability valuations are set out in the following two tables.

Reconciliation of Liabilities (Obligations):

Year Ended	31st March 2019 £000	31st March 2020 £000
Opening defined benefit obligation	**92,415**	**102,127**
Current service cost	1,830	2,092
Interest cost on defined benefit obligation	2,492	2,452
Contributions by scheme participants	322	320
Changes in demographic assumptions	0	(3,840)
Changes in financial assumptions	7,296	(7,904)
Other experience	14	(4,069)
Benefits paid	(2,536)	(2,636)
Unfunded benefits paid	(136)	(134)
Past service cost (including curtailments)	430	0
Closing Balance at 31 March	**102,127**	**88,408**

Reconciliation of Fair Value of Employer Assets:

Year Ended	31st March 2019 £000	31st March 2020 £000
Opening fair value of employer assets	**55,849**	**58,947**
Interest on plan assets	1,489	1,401
Remeasurements	2,963	(4,693)
Contributions by the employer	860	942
Contributions by plan participants	322	320
Benefits paid	(2,536)	(2,636)
Unfunded benefits paid	(136)	(134)
Contributions in respect of unfunded benefits	136	134
Closing fair value of employer assets	**58,947**	**54,281**

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

Profile of Liabilities	Liability split
Active members	35.90%
Deferred members	22.00%
Pensioner members	42.10%
Total	**100.0%**

4d. *Scheme History*

Year Ended	31-Mar-16 £000	31-Mar-17 £000	31-Mar-18 £000	31-Mar-19 £000	31-Mar-20 £000
Estimated Assets in the Scheme	44,328	54,049	55,849	58,947	54,281
Estimated Liabilities in the Scheme	(79,658)	(92,179)	(92,415)	(102,127)	(88,408)
Surplus/ (Deficit)	(35,330)	(38,130)	(36,566)	(43,180)	(34,127)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £34.13m 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 £10.4 million.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

Current service contributions of approximately £812,000 will be made to the Fund in 2020/21.

4e. *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 2019.

The principal assumptions used by the actuary have been:

Financial Assumptions

Assumptions as at	31st March 2019 (% per annum)	31st March 2020 (% per annum)
Pension Increase Rate	2.50%	1.90%
Salary Increase Rate	2.90%	2.30%
Discount Rate	2.40%	2.30%

Mortality

	31st March 2019		31st March 2020	
Longevity beyond age 65	**Males**	**Females**	**Males**	**Females**
Current Pensioners	22.1 Years	24.4 Years	21.2 Years	23.6 Years
Future Pensioners	24.1 Years	26.4 Years	22.1 Years	25.0 Years

Commutation

An allowance is included for 50% (50% in 2018/19) 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 2019		31st March 2020	
		Fund Value £000	Asset Distribution %	Fund Value £000	Asset Distribution %
Equity Securities					
	Consumer	2,632	4	2,011	4
	Manufacturing	2,255	4	2,172	4
	Energy & Utilities	945	2	725	1
	Financial Institutions	2,180	4	1,918	4
	Health & Care	1,692	3	1,697	3
	Information Technology	1,680	3	1,322	2
	Other	56	0	47	0
Debt Securities					
	Corporate Bonds (investment grade)	4,376	7	4,365	8
Private Equity					
	All *	2,110	4	2,297	4
Real Estate					
	UK Property *	5,011	8	5,346	10
Investment Funds and Unit Trusts					
	Equities	26,534	45	23,135	43
	Bonds	4,460	7	4,559	8
	Hedge Funds *	1,030	2	965	2
	Other *	2,373	4	2,805	5
Cash and Cash Equivalents					
	All	1,613	3	917	2
Totals		**58,947**	**100**	**54,281**	**100**

* denotes asset prices not quoted in an active market

4f. 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 31/3/20	Approximate % increase to Employer Liability	Aproximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9.0%	7,878
0.5% increase in the Salary Increase Rate	1.0%	845
0.5% Increase in the Pension Increase Rate	8.0%	6,962

4g. Impact of the McCloud Judgment

The McCloud judgement relates to a legal challenge by members of the New Judicial Pension Scheme against the age-based transitional provisions put into place when new pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. A Tribunal ruled against the Government, deeming that the transitional provisions were not a proportionate means of achieving a legitimate aim. Leave to appeal this ruling to the Supreme Court was denied in late June 2019 and the implications of this ruling are now expected to apply to the LGPS. Benefits accrued from 2014 may need to be enhanced to extend the transitional underpin arrangements to all members. The Actuary has reflected the estimated costs of this in the IAS19 report, on which the pension aspects of these statements are prepared. The McCloud Judgement impacts for Staffordshire Moorlands DC were incorporated into the 2018/19 valuation and remain in place in 2019/20 whilst the case progresses. The amount originally included in the figures above was a £232,000 (0.23%) adjustment to total liabilities. This was subsequently revised downwards to £116,000 following recent Government announcements in respect of the McCloud remedy.

Guaranteed minimum pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The introduction of the new Single State Pension in April 2016 brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women’s benefits. The responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes with the effect of increasing costs for LGPS employers. In 2018/19 The actuary estimated the impact on Staffordshire Moorlands DC as being a £150,000 (0.15%) increase to total liabilities. This remains the case and is included in the figures above.

5. 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.

2019/20	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	(1,941)	0	0	0	1,941
Impairment / Revaluation losses charged to CIES	(367)	0	0	0	367
Movements in the fair value of Investment Properties	167	0	0	0	(167)
Amortisation of intangible assets	(13)	0	0	0	13
Revenue expenditure funded from capital under statute	(731)	0	0	0	731
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(567)	0	0	0	567
Impairment of Debenture					0
Reversal of items relating to retirement benefits	(3,143)	0	0	0	3,143
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	46	0	0	0	(46)
Capital Grants and contributions applied credited to the CIES	671	0	0	0	(671)
Capital Grants and contributions unapplied credited to the CIES	898	0	0	(898)	0
Employers contribution to pension schemes	1,768	0	0	0	(1,768)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	24	0	(24)	0	0
Use of Earmarked Capital Reserve to finance new capital expenditure	0	1,384	0		(1,384)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	62	0	0	0	(62)
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	1,085	0	0	0	(1,085)
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	17	0	0	0	(17)
Total Adjustments	**(2,024)**	**1,384**	**(24)**	**(898)**	**1,562**

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

6. Capital

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

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

6a. Property, Plant & Equipment

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

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At April 2019	**29,252**	**7,218**	**0**	**959**	**401**	**368**	**38,198**
Additions	419	1,316	42	15	0	51	**1,843**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(2,773)	0	0	0	0	0	**(2,773)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(875)	0	0	0	(39)	0	**(914)**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	(440)	(26)	0	(49)	0	0	**(515)**
Other movements in Cost or Valuation	(25)	(75)	0	0	46	(40)	**(94)**
At 31 March 2020	**25,558**	**8,433**	**42**	**925**	**408**	**379**	**35,745**
Accumulated Depreciation & Impairment							
At April 2019	**(255)**	**(5,048)**	**0**	**0**	**(3)**	**0**	**(5,306)**
Depreciation Charge	(1,166)	(774)	0	0	(1)	0	**(1,941)**
Depreciation written out to the Revaluation Reserve	435	0	0	0	1	0	**436**
Depreciation written out to the Surplus/Deficit on the Provision of Services	872	0	0	0	7	0	**879**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	26	0	0	0	0	**26**
Other movements in Depreciation & Impairment	7	0	0	0	(7)	0	**0**
At 31 March 2020	**(107)**	**(5,796)**	**0**	**0**	**(3)**	**0**	**(5,906)**
Net Book Value							
at 31st March 2020*	**25,451**	**2,637**	**42**	**925**	**405**	**379**	**29,839**
at 31st March 2019	**28,997**	**2,170**	**0**	**959**	**398**	**368**	**32,892**

*.The Council's external Valuation Officer has applied Modern Equivalent Asset principles to the process of DRC valuations; contributing to an in year reduction in the value of land and buildings. The authority considers this is a reasonable approach as it acknowledges that the valuation of an asset should not only reflect its form and function but also its location. For a number of the authority's assets cheaper alternative locations would exist for any replacement and this has been reflected in their valuations.

The Property, Plant & Equipment 2018/19 comparative figures are illustrated below:

Movements in 2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At April 2018	**29,026**	**6,656**	**947**	**388**	**351**	**37,368**
Additions	3	769	0	0	17	**789**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	163	0	0	25	0	**188**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	63	0	0	0	0	**63**
Derecognition - Disposals	0	0	0	0	0	**0**
Derecognition - Other*	(3)	(330)	0	0	0	**(333)**
Other movements in Cost or Valuation	0	123	12	(12)	0	**123**
At 31 March 2019	**29,252**	**7,218**	**959**	**401**	**368**	**38,198**
Accumulated Depreciation & Impairment						
At April 2018	**(298)**	**(4,869)**	**0**	**(8)**	**0**	**(5,175)**
Depreciation Charge	(1,188)	(509)	0	(3)	0	**(1,700)**
Depreciation written out to the Revaluation Reserve	1,231	0	0	8	0	**1,239**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	0	0	0	**0**
Derecognition - Other	0	330	0	0	0	**330**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
At 31 March 2019	**(255)**	**(5,048)**	**0**	**(3)**	**0**	**(5,306)**
Net Book Value						
at 31st March 2019	**28,997**	**2,170**	**959**	**398**	**368**	**32,892**
at 31st March 2018	**28,728**	**1,787**	**947**	**380**	**351**	**32,193**

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

Depreciation

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

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

6b. 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:

	2018/19 £000	2019/20 £000
Rental income from investment property	(289)	(315)
Direct operating expenses arising from investment	30	27
Net (gain)/loss	**(259)**	**(288)**

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

	2018/19 £000	2019/20 £000
Balance at start of the year	**3,378**	**3,713**
Additions	385	59
Derecognition	(385)	(77)
Net gain /(loss) from fair value adjustments	335	167
Transfers:		
• to/from Property, Plant and Equipment	0	18
Balance at end of year	**3,713**	**3,880**

Fair Value Hierarchy

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

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

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

Investment Properties	As at March 2020	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
	£'000s	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c. £25 to £370 per m2. Investment Yields c.5% -20% for buildings and land value of £80k/ha - £200k/ha	Significant changes to the indivdual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Land	37				
Building	3,843				

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.

6c. Assets Held for Sale

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

6d. Valuation Information

Under statute the Council carries out a rolling programme that ensures that all property measured at current value or fair value as appropriate is revalued at least every five years. In addition to this requirement the Council now revalue all their high value assets annually; the total value of these assets in 2020 was £19m. The Council's de minimis policy excludes the requirement to formally revalue assets with a current carry value of below £10,000; however these assets are still subject to an internal desk top valuation. No changes were made to the value of this group of assets as a result of the internal review. All external valuations were carried out by Capita PLC, the Council's valuing agents. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of each revaluation was 31st March 2020.

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 Brett Devenish MSc MRICS (Head of Property), Capita. There was no evidence of individual assets that had been impaired due to fire or other event consequently there was no requirement for an impairment review.

Following the adoption of IFRS 13, surplus assets assessment is now made at fair value, highest and best use at level 3 (under fair value hierarchy- see accounting policy 23 for fair value explanations). There were no transfers between levels 1, 2 and 3 during the year. In addition to the formal 5 year valuation these assets are individually reviewed by the valuer each year.

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

Surplus Assets	As at March 2020	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
	£'000s				
Land	64	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental rate range c. £25m2 -£370m2 and Yields of 5%-20% for buildings and land value of £80k/ha - £200k/ha	Significant changes to the indivdual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Building	344				

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

The Table below shows the profile of valuations supporting the Gross Book Value reported as at 31st March 2020.

	Other Land & Buildings	Vehicles, Plant, Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at Historic cost		8,433		**8,433**
Valued at Current Value as at:				
31 March 2020	20,524	0	408	**20,932**
31 March 2019	1,631	0	0	**1,631**
31 March 2018	572	0	0	**572**
31 March 2017	2,831	0	0	**2,831**
Total	**25,558**	**8,433**	**408**	**34,399**

6e. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year was £2,701,000. Details are shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR) – this is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	**16,472**	**16,231**
Capital Investment		
Property, Plant and Equipment	789	1,841
Investment Properties	385	59
Intangible Assets	0	69
Revenue Expenditure Funded from Capital under Statute	1,054	731
	2,228	**2,700**
Sources of Finance		
Government grant and other contributions	(1,008)	(671)
Sums set aside from Revenue:		
Capital Reserves	(1,346)	(1,384)
MRP/ Loans Fund principal	(115)	(46)
	(2,469)	**(2,101)**
Closing Capital Financing requirements	**16,231**	**16,830**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	646	645
Finance Leases Repaid	(773)	0
Minimum Revenue Provision	(114)	(46)
Increase /(Decrease) in Capital Financing Requirement	**(241)**	**599**
Net capital investment in year excluding finance leases added to Balance Sheet	*2,228*	*2,700*

Minimum Revenue Provision

The Council is obliged to make an annual charge to revenue for unfinanced capital expenditure. The charge is known as Minimum Revenue Provision (MRP). The requirement is based on a simple duty for an authority to make an amount of MRP, which it considers to be "prudent". In 2019/20 the Council made MRP of £46,000.

6f. Information on Assets Held

The main assets held by the Council are:

31st March 2019 No.		31st March 2020 No.
3	Town Halls and Council Offices	3
3	Markets	3
2	Industrial Estates	2
14	Public Conveniences	13
1	Depots	1
3	Leisure Centres	3
2	Cemeteries	2
1	Museums	1
29	**Total**	**28**

6g. Construction Contracts and Capital Commitments

At 31 March 2020, the Council has entered into contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years budgeted to cost £1,889,000. Similar commitments at 31 March 2019 were £nil. The major commitments are:

Scheme	Estimated Values £000	Period Investment will Take Place
Fleet Management	1,135	2020/21
Asset Management	387	2020/21 -2022/23
CCTV	275	2020/21
ICT	92	2020/21

Affordable Housing

At 31 March 2020, the Council has a continuing commitment, as part of the Capital Programme, to provide a loan to Ascent Housing LLP, the Joint Venture Company set up with Your Housing Group Limited to provide affordable housing across the district. At 31 March 2020, £14million of the Loan had been drawn, £6million of the original commitment remains.

6h. Assets Held under Leases – Authority as the Lessee

Finance Leases

The Council following termination of vehicle leases now only holds buildings under finance leases, peppercorn rentals are payable against these; they are recorded in the Balance sheet at the following net amount.

	31 March 2019 £000	31 March 2020 £000
Other Land and Buildings	84	87
	84	**87**

6i. Assets Held under Leases - Authority as the Lessor:

Operating Leases
The Authority leases out a number assets under operating leases. The Council acts as a lessor of commercial property, shops and market stalls. Income from these sources in 2019/20 totalled £0.414m (£0.413m in 2018/19).

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

	31 March 2019 £000	31 March 2020 £000
Not later than one year	107	187
Later than one year and not later than five years	203	357
Later than five years	371	365
	681	**909**

The minimum lease payments receivable are at current rental levels.

7. Cash and Cash Equivalents

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

	31 March 2019 £000	31 March 2020 £000
Cash held by the Council	1	1
Bank Current Accounts	2,121	2,301
Short-Term Deposits	5,069	5,403
Cash and Cash Equivalents Current Assets	**7,191**	**7,705**
Bank Overdraft	0	0
Total Cash and Cash Equivalents	**7,191**	**7,705**

8. Debtors

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

	31 March 2019 £000	31 March 2020 £000
Central Government bodies	(1,557)	(628)
Other Local Authorities	359	(180)
Other entities and individuals	16,804	17,371
LESS Impairment Allowances	(597)	(738)
Total Short Term Debtors	**15,009**	**15,825**

Long Term Debtors

Debtors due over a period of longer than twelve months are classified as long-term debtors on the balance sheet. At 31st March 2020 these consist of the debenture to Ascent Housing LLP and local loans.

The Council entered into a joint venture with Your Housing Group Limited to provide affordable housing across the District and has made a commitment to provide a £5,000,000 debenture. As at 31st March 2015, the full £5,000,000 debenture facility had been drawn by the joint venture company Ascent Housing LLP (£1,108,000 in 2011/12, £351,566 in 2012/13, £1,952,663 in 2013/14 and £1,587,771 in 2014/15). This has been disclosed as a long-term debtor on the Balance Sheet. However, because the interest charged on the debenture is currently set at a rate below which Ascent Housing LLP could expect to pay on a comparable loan from the market, the loan is deemed to be a material soft loan. Consequently, the value of the debenture is discounted to the present value of the future cash flows and the long-term debtor value has been adjusted to £2,281,000 to reflect this (see note 13 'Financial Instruments' for more detail).

Balances at the end of the year were as follows:

	31 March 2019 £000	31 March 2020 £000
Ascent Debenture	2,552	2,281
Car Loans	3	0
Local Loans	13	78
Long Term Debtors	**2,568**	**2,359**

9. Creditors

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

	31 March 2019 £000	31 March 2020 £000
Central Government bodies	(710)	(2,563)
Other Local Authorities	(2,007)	(2,438)
Other entities and individuals	(1,943)	(1,438)
Short Term Creditors	**(4,660)**	**(6,439)**

10. Provisions

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

NNDR Appeals Provision (Billing Authority Share)	**31-Mar-19 £'000**	**31-Mar-20 £'000**
Provision Brought Forward	**(1,317)**	**(1,849)**
Refunds charged to provision during the year	57	204
(Increase)/ decrease in provision	(589)	226
NNDR Appeals Provision Carried Forward	**(1,849)**	**(1,419)**

11. Usable Reserves

This note sets out the amounts included in Usable Reserves.

	Balance at 1 April 2018 £000	Transfers out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000
General Fund Contingency Reserve	**3,106**	**(1,878)**	**777**	**2,005**	**(913)**	**1,327**	**2,419**
General Fund Earmarked Reserve:							
Reserves for Capital schemes	**2,013**	(1,347)	834	**1,500**	(1,384)	284	**400**
Covid 19	**0**	0	0	**0**	0	500	**500**
Ascent Housing Review	**0**	0	360	**360**	0	240	**600**
Section 106 Commuted Sums	**115**	(8)	0	**107**	(61)	0	**46**
Insurance Fund	**339**	0	0	**339**	0	0	**339**
Local Development Framework	**40**	0	0	**40**	0	0	**40**
Future Leisure Provision	**50**	0	0	**50**	0	120	**170**
Efficiency & Rationalisation Reserve	**493**	0	0	**493**	0	0	**493**
Pension Reserve	**600**	(75)	0	**525**	(75)	0	**450**
Community Reserve	**50**	0	0	**50**	0	0	**50**
Vehicle & Fuel Reserve	**50**	0	0	**50**	0	0	**50**
Localising Council Tax Benefit	**80**	0	0	**80**	0	0	**80**
Planning Appeals	**53**	0	0	**53**	0	0	**53**
IT Strategy & Infrastructure	**200**	(50)	0	**150**	(50)	0	**100**
Property Condition Surveys	**25**	0	15	**40**	(40)	0	**0**
Staff Conference	**10**	(10)	0	**0**	0	0	**0**
Elections Reserve	**110**	0	27	**137**	(121)	47	**63**
Market Logistics Support	**0**	0	0	**0**	0	40	**40**
Climate Change	**0**	0	0	**0**	0	25	**25**
Street Scene Reserve	**0**	0	12	**12**	(12)	0	**0**
Unused Third Party Funds	**457**	(15)	158	**600**	(151)	291	**740**
Total Earmarked Reserves	**4,685**	**(1,505)**	**1,406**	**4,586**	**(1,894)**	**1,547**	**4,239**
Capital Reserves							
Usable Capital Receipts Reserve	**5**	0	69	**74**	0	24	**98**
Capital Grants Unapplied	**1,754**	(72)	626	**2,308**	0	898	**3,206**
Total Capital Reserves	**1,759**	**(72)**	**695**	**2,382**	**0**	**922**	**3,304**
Total Usable Reserves	**9,550**	**(3,455)**	**2,878**	**8,973**	**(2,807)**	**3,796**	**9,962**

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

Reserve	Nature of Reserve
General Fund for Capital Schemes	Earmarked to provide funding for the Council's Capital Strategy
General Fund (Contingency)	Both as a contingency and to temporarily hold balances to be fed back into the short term budgetary process
Insurance Fund	To meet the cost of any residual MMI liabilities (see Note 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: - supporting future leisure development and provision - funds to support the Council with the impact of COVID 19 and delivery of the recovery programme - to cover costs associated with the review of the Ascent Housing LLP in partnership with Your Housing - towards future pension liabilities - to dampen impact of fuel price variations or short term vehicle hire - against potential planning appeal costs - implementation of the IT strategy - to cover potential costs of localising Council tax benefit - local development framework and the implementation of the local plan - support with the interim markets logistical arrangements - support with the delivery of climate change related - to enable the efficiency programme to be delivered - to spread the costs of elections over a full term - to fund a review of the condition of the Council's buildings to inform capital expenditure requirements

12. Unusable Reserves

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

31 March 2019 £000		Note	31 March 2020 £000
15,070	Revaluation Reserve	12a	12,021
24,453	Capital Adjustment Account	12b	23,814
(2,092)	Financial Instruments Adjustment Account	12c	(2,030)
(43,899)	Pensions Reserve	12d	(34,127)
(275)	Collection Fund Adjustment Account	12e	810
(97)	Accumulated Absences Account		(80)
(6,840)	**Total Unusable Reserves**		**408**

12a. 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.

2018/19 £000	Revaluation Reserve		2019/20 £000
14,335	**Balance at 1 April**		**15,070**
1,432	Upward revaluations of assets	419	
(5)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,756)	
1,427	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**(2,337)**
(692)	Difference between fair value depreciation and historical cost depreciation	(712)	
(692)	Amount written off to the Capital Adjustment Account		(712)
15,070	**Balance at 31 March**		**12,021**

12b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to an historic cost basis).
The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018/19 £000		Capital Adjustment Account	2019/20 £000	
	24,407	**Balance at 1 April**		**24,453**
		Reversal of items relating to capital expenditure debited or credited to the CIES		
(1,700)		• Charges for depreciation of non current assets	(1,941)	
0		• Impairment Revaluation Losses	(57)	
(356)		• Impairment Debenture	(333)	
63		• Impairment written back revaluation gain	23	
(13)		• Amortisation of intangible assets	(13)	
(1,054)		• Revenue expenditure funded from capital under statute	(731)	
(389)		• Derecognition of non current assets part of the gain/loss	(567)	
	(3,449)			(3,619)
	692	Adjusting amounts written out of the Revaluation Reserve		712
	(2,757)	**Net written out amount of the cost of non-current assets consumed in the year**		**(2,907)**
		Capital financing applied in the year:		
936		• Capital grants and contributions credited to the CIES that have been applied to capital financing	671	
72		• Applications of grants to capital financing from the Capital Grant Unapplied Account	0	
114		• Statutory provision for the financing of capital investment	46	
1,346		• Use of Earmarked Capital Reserve to finance new capital expenditure	1,384	
	2,468			**2,101**
	335	Movements in the market value of Investment Properties debited or credited to the CIES		167
	24,453	**Balance at 31 March**		**23,814**

12c. 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.

2018/19 £000	Financial Instruments Adjustment Account	2019/20 £000
(2,152)	**Balance at 1 April**	**(2,092)**
60	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	62
(2,092)	**Balance at 31 March**	**(2,030)**

12d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require any benefits earned to be financed as the employer makes contributions to the pension fund (or eventually pays any pensions for which it is directly responsible). The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £000	Pension Reserve	2019/20 £000
(37,920)	**Balance at 1 April**	**(43,899)**
(4,347)	Remeasurement of the net defined benefit liability	11,120
(3,263)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,143)
1,631	Employer's pensions contributions and direct payments to pensioners payable in the year	1,795
(43,899)	**Balance at 31 March**	**(34,127)**

12e. 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.

2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
(717)	**Balance at 1 April**	**(275)**
442	Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,085
(275)	**Balance at 31 March**	**810**

13. Financial Instruments

13a. Categories of Financial Instruments

Under accounting requirements the carrying value of the financial instruments value is shown in the balance sheet which includes the principal amounts borrowed or lent and accrued interest. The Council's assets and liabilities are classified under amortised cost and are separated between current and non-current assets and liabilities where the payments or receipts are due within or beyond one year.

Financial Assets carried at Amortised Cost	Non-Current		Current		Total	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Investments						
Cash deposits & Money Market Funds	0	0	7,190	7,705	7,190	7,705
Fixed term deposits	0	0	1,002	2,202	1,002	2,202
Debtors						
Trade* & Long Term Debtors	2,568	2,692	15,655	16,714	18,223	19,406
Total	**2,568**	**2,692**	**23,847**	**26,621**	**26,415**	**29,313**

Financial Liabilities carried at Amortised Cost	Non-Current		Current		Total	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Borrowings						
Fixed term Borrowing	(2,536)	0	(8,524)	(10,053)	(11,060)	(10,053)
Creditors						
Trade Creditors*	0	0	(2,189)	(1,640)	(2,189)	(1,640)
Sub Total	**(2,536)**	**0**	**(10,713)**	**(11,693)**	**(13,249)**	**(11,693)**
Other Liabilities	(60)	(25)	(72)	(32)	(132)	(57)
Total	**(2,596)**	**(25)**	**(10,785)**	**(11,725)**	**(13,381)**	**(11,750)**

** Trade Debtors / Creditors vary from the Balance Sheet values as statutory debtors of £0.152m (£0.049m 18/19), the bad debt provision of 0.737m (£0.597m 18/19); and statutory creditors of £4.767m (£2.4m 18/19) are excluded.*

Reclassification

There has been no reclassification of financial assets or liabilities during the year.

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 assets and liabilities represented by loans and receivables and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Where an instrument has a maturity of less than 12 months or is a trade or other debtor or creditor the fair value is taken to be the carrying amount or the billed amount.
- For market debt and investments, prevailing market rates have been used to provide the fair value, i.e. the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- For the valuation and disclosure of fair values of financial assets and liabilities the rates quoted were obtained from Link Asset Services (the Council's Advisors) using Level 2 Valuations.
- There has been no change in the valuation technique used during the year for financial instruments.
- There were no transfers between input levels 1 and 2 during the year.
- Note: Level 1 valuations are performed on quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date (for example tradable instruments such as certificates of deposit); Level 2 valuations are performed on inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly (for example fixed term/price deposits).

Financial Assets carried at Amortised Cost	Fair Value Hierarchy	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Cash deposits & Money Market Funds		7,191	7,191	7,705	7,705
Fixed term deposits excluding CDs	Level 2	1,001	1,001	2,202	2,202
Trade Debtors		15,655	15,655	16,714	16,714
Long-Term Debtors		2,568	2,568	2,692	2,692
Total		**26,415**	**26,415**	**29,313**	**29,313**

Financial Liabilities held at Amortised Cost	Fair Value Hierarchy	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Fixed Term Borrowing	Level 2	(11,060)	(11,084)	(10,053)	(10,054)
Trade Creditors		(2,261)	(2,261)	(1,640)	(1,640)
Other Liabilities		(60)	(60)	(57)	(57)
Total		**(13,381)**	**(13,405)**	**(11,750)**	**(11,751)**

Material Soft Loan (Long-term debtor)

The Council has entered into a joint venture with Your Housing Group Limited to provide affordable housing across the District and has made a commitment to provide a £5,000,000 debenture. As at 31st March 2015, the full £5million of the debenture facility had been drawn by the joint venture company Ascent LLP. There have been no changes to this balance during the year. The debenture is to be fully repaid within a 25 year period.

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

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

The Debenture is classified as a long-term debtor on the balance sheet, and is held at fair value. Over the 25 year period, the discounted amount (held in the Financial Instrument Adjustment account) will be increased by the difference between the actual interest received and the notional interest that would have been received if the loan had been made at the higher rate.

Whilst there are no short term issues that Ascent can operate as a going concern, there are potential long-term challenges – particularly the ability of Ascent to repay its debts in the long term. Therefore, a number of strategic options are being considered for the long-term future of Ascent (as discussed on page 26). The preferred option at this stage is for Your Housing Group to acquire the Ascent properties, at which point Ascent would be wound up. Based on the valuation at which Your Housing would be prepared to purchase the Ascent properties, this would be insufficient to repay the total investments held in Ascent by Your Housing and the Council by an estimated £1,377,000; any impairment being shared equally between the partners.

An expected credit loss assessment has therefore been undertaken under the requirements of IFRS9 resulting in the debenture being impaired by £688,500; this is charged to the Comprehensive Income & Expenditure Statement: Financing and Investing Income and Expenditure in the surplus or deficit on the provision of services.

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

The carrying value of the debenture in the balance sheet is now £4.3million (split £2.3million to long term debtors and £2.0m to the Financial Instrument Adjustment Account).

2018/19 £000		2019/20 £000
2,848	**Balance at 1 April**	**2,552**
(356)	Impairment Losses	(333)
60	Increase in discounted amounts	62
2,552	**Balance at 31 March**	**2,281**

13b. 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 2019/20, and the accounting amendments made in relation to the fair value of the debenture to Ascent Housing LLP.

	2018/19		2019/20	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income & Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income & Expenditure £000
Financial Assets measured at Amortised cost:				
Material soft loan increase in discounted amount	60	0	63	0
Interest receivable and similar income	658	0	747	0
Financial Liabilities measured at Amortised cost:				
Interest receivable and similar income	(177)	0	(157)	0
Total net gains/losses	**541**	**0**	**653**	**0**

13c. Risk Analysis and Expected Credit Loss

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

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

Exposure to financial risks is discussed in more detail below:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Authority.
- **Liquidity risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- **Refinancing risk** – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy.

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

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

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

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

The full TMSS was approved by Full Council on 8th February 2019.

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

The Authority's maximum exposure to credit risk in relation to investments in financial institutions of £9.9million cannot be assessed generally, as the risk of any institution failing to make repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31st March 2020 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

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

Investments at Amortised Cost	ECL Test	ECL Category	ECL Value at 31 Mar 2019 £000	ECL Value at 31 Mar 2020 £000	Increase/ (Decrease) in ECL
Trade Debtors: non statutory bad debt provision	Simplified Model	Lifetime Expected Credit Losses - simplified approach	245	304	59
Deposit with banks/financial institutions					
Cash/Bank MMFs Fixed Deposit Notice Accounts CD's	Historic Risk of Default	12mth Expected Credit Losses	0.00047	0.000582	0.000112
Loans					
Soft Loans (Debenture Ascent)*	Assessment of credit risk	Lifetime Expected Credit Losses - not credit impaired	356	689	333
Service Loans to 3rd parties (Ascent Loan)	Assessment of credit risk	12m Expected Credit losses	0	0	0
Car Loans	Collective Assessment	12m Expected Credit losses	0	0	0
Churnet Valley Railway Loan	Assessment of credit risk	12m Expected Credit losses	0	0	0
Parish Council Loan	Assessment of credit risk	12m Expected Credit losses	0	0	0
			601.00047	**993.000582**	**392.000112**

** Impairment on the Soft Loan is described in more detail at note 13a Material Soft Loan above.*

Liquidity Risk

Investments

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

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

Refinancing & Maturity Risk

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

The risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The maturity structure of fixed term financial assets at the start date and at the balance sheet date of these instruments is shown in the table below:

31st March 2019 Carrying amount £'000	Average Interest Rate	Type	31st March 2020 Carrying amount £'000	Average Interest Rate
1,000	**1.10%**	**Fixed Term Investments & Notice Accounts**	**2,200**	**1.02%**
		Original maturity profile		
1,000	1.10%	Less than 365 days	2,200	1.02%
-	-	Greater than 365 days	-	-
		Remaining maturity profile		
1,000	1.10%	Less than 365 days	2,200	1.02%
-	-	Greater than 365 days	-	-

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 at the start date and at the balance sheet date of these instruments is shown in the table below. Borrowings are maintained on a short term basis pending the outcomes of the Ascent review:

31st March 2019 Carrying amount £'000	Average Interest Rate	Type	31st March 2020 Carrying amount £'000	Average Interest Rate
11,000	**1.57%**	**Local Authority Fixed Term Borrowing**	**10,000**	**1.17%**
		Original maturity profile		
7,000	1.04%	Less than 1 Year	7,500	0.93%
4,000	1.88%	Between 1 and 5 Years	2,500	1.89%
		Remaining maturity profile		
8,500	1.48%	Less than 1 Year	10,000	1.17%
2,500	1.89%	Between 1 and 5 Years	-	-

Market Risk

The Authority is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Authority. For example, a rise in interest rates would have the following effect:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would increase.
- Investment at fixed rates – the fair value of the assets will fall (no impact on revenue balances or the balance sheet as all investments carried at carrying value).
- Borrowing at variable rates – the interest payable charged to the Comprehensive Income & Expenditure Statement would increase.
- Borrowing at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances or the balance sheet as held at amortised cost).

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

At 31 March 2020, 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	(99)
Impact on Other Comprehensive Income and Expenditure	**(99)**
Decrease in Fair Value of Fixed Rate Borrowing	(7)

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

Price Risk

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

Foreign Exchange Risk

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

14. Contingent Liabilities and Assets

The disclosures made here are based on the IAS37 definitions of contingent assets and liabilities quoted in the Code:

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

Contingent Liabilities

Municipal Mutual Insurance – Scheme of Arrangement

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

Under the terms of the SOA, the Council now has to meet 25% of any new insurance settlements, relating to its claims, made by MMI. To date, payments amounting to £5,335 have been made under this part of the scheme. An earmarked Insurance reserve, with a balance of £338,580, is currently available to mitigate the financial pressure created by the MMI levy and any other uninsured losses, which might occur in the future.
At 31 March 2020 the Council's amount subject to levy under the SOA stood at £90,747, unchanged from 2018/19

Contingent Assets

There are no contingent assets.

15. Events after the Balance Sheet Date

The Statement of Accounts 2019/20 were authorised for issue on 30th November 2020 by Claire Hazeldene, Interim Executive Director (Chief Finance Officer).
Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events after this date are not reflected in the financial statements or notes. 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.

Pensions – McCloud Remedy

Note 4g of the Retirement Benefits Section outlines how the McCloud judgement in response to a legal challenge relating to age-based transitional provisions in respect of a New Judicial Pension Scheme may have an impact on Local Government Pension schemes. As such in recent years the District's actuarial valuation has taken into account the possible impact and increased the scheme liability accordingly. On the 16th July 2020 Government published a consultation proposing amendments to the Local Government Pension Scheme to provide a remedy for the McCloud issue. In line with a government commitment to remove the difference in treatment from all public service pension schemes with similar protections, they sought views on proposals that would extend LGPS statutory underpin protection to younger members of the scheme. Following Cipfa guidance the District, through their actuaries, assessed whether the change in the assumptions from the previous measurement of the liability compared with the proposals within the consultation publication would make a material difference to the valuation of liabilities included in the accounts. The revised actuarial valuation obtained and reported in these statements measured the Balance Sheet pension liability at £34,127k inclusive of a £116k (0.3%) reduction owing to the actuary's interpretation of the Government's proposals.

The Authority's Auditors have subsequently advised that in their opinion the Government's proposed remedy only amounted to a promise to consult with no known outcome and should not have been included in the actuarial valuation.
The District has chosen to ignore the Auditors recommendation to remove the adjustment on the basis that the amount involved, while not material, represents the professional judgement of the scheme's actuary.

Coronavirus Pandemic
Local authorities began to see the most substantial impacts of Covid-19 in March 2020. Since the end of the reporting period as a result of and in response to the pandemic there have been significant economic changes and initiatives. Each of these events has been reviewed to assess whether it related to conditions as at 31st March and should therefore be reflected in the Statements. The Authority has concluded that nothing to date requires adjustment of the 2019/20 Statements.

However the impact from the pandemic on the council is on-going and can not be fully quantified at this point. The Council therefore continues to assess the impact on it's financial situation and will be updating the Medium Term Financial Plan in the coming months.

16. Notes Relating to the Cash Flow Statement

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

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

16a. Net cash flows from operating activities

2018/19 £000		2019/20 £000
(2,343)	**Net Surplus or (Deficit) on the Provision of Services**	**(573)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
1,700	Depreciation	1,941
325	Impairment and downward valuations	601
13	Amortisation	13
356	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	333
(58)	Reduction in fair value of Soft Loans (non Subsidiary) made in the year	(64)
(1)	Increase/ (Decrease) in Interest Creditors	(6)
976	Increase/ (Decrease) in Creditors	40
0	(Increase) /Decrease in Interest and Dividend Debtors	20
2,834	(Increase) /Decrease in Debtors	(1,483)
30	(Increase) /Decrease in Inventories	1
2,269	Pension Liability	2,094
532	Contributions to/ (from) Provisions	(430)
(335)	Movement in Investment Property Values	(167)
8,641		**2,893**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,562)	Capital Grants credited to surplus or deficit on the provision of services	(1,569)
0	Proceeds from the sale of short and long term investments	1,000
(69)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(24)
(1,631)		**(593)**
4,667	**Net Cash Flows from Operating Activities**	**1,727**

16b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
599	Interest received	703
178	Interest paid	170

16c. Investing Activities

2018/19 £000		2019/20 £000
(1,171)	Purchase of property, plant and equipment, investment property and intangible assets	(1,217)
0	Purchase of short-term and long-term investments	(2,200)
0	Other payments for investing activities	(70)
69	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	24
1,500	Other receipts from investing activities	1,625
398	**Net cash flows from investing activities**	**(1,838)**

16d. *Financing Activities*

2018/19 £000		2019/20 £000
4,000	Cash receipts or short and long-term borrowing	6,500
(881)	Billing Authorities - Council Tax & NNDR Adjustment	1,700
(854)	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	(75)
(5,000)	Repayments of short and long-term borrowing	(7,500)
0	Other receipts from financing activities	
(2,735)	**Net cash flows from financing activities**	**625**

17. Prior Period Restatement

A change to the structure of the Authority has given rise to the need to restate the 2018/19 primary statements. During the course of 2019/20 the following functions were transferred to other Council Service areas; Arboriculture Service moved from Horticulture to Planning Applications; Local Planning moved from Regeneration Services to Planning Applications;. This change necessitated the restatement of the CIES and some associated notes to reflect the revised service analysis.

Comprehensive Income & Expenditure Statement

2018/19			Movement		2018/19 Restated			
Gross Expenditure	Gross Income	Net Expenditure	Expenditure	Income	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	£000	£000	
26,885	**(18,737)**	**8,148**	**0**	**0**	**26,885**	**(18,737)**	**8,148**	**Services not affected by Restructure**
468	(444)	24	186	(34)	654	(478)	176	Planning Applications
750	(147)	603	(147)	34	603	(113)	490	Regeneration
4,941	(2,014)	2,927	(39)	0	4,902	(2,014)	2,888	Waste Collection
33,044	**(21,342)**	**11,702**	**0**	**0**	**33,044**	**(21,342)**	**11,702**	**Cost of Services**
1,586	(69)	1,517			1,586	(69)	1,517	Other Operating Expenditure
1,201	(916)	285			1,201	(916)	285	Financing and Investment Income and Expenditure
		0					0	Surplus or Deficit of discontinued Operations
	(11,161)	(11,161)				(11,161)	(11,161)	Taxation and Non-Specific Grant Income and expenditure
		2,343					**2,343**	**(Surplus) or Deficit on Provision of Services**
		(1,427)					(1,427)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets
		4,345					4,345	Remeasurement of the net defined pension benefit liability
		2,918					**2,918**	**Other Comprehensive Income and Expenditure**
		5,261					**5,261**	**Total Comprehensive Income and Expenditure**

Expenditure & Funding Analysis

2018/19					2018/19 Restated			
Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES	Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES	
£000	£000	£000			£000	£000	£000	
6,530	**1,618**	**8,148**	**0**	**0**	**6,530**	**1,618**	**8,148**	**Services not affected by Restructure**
(21)	45	24	152	0	131	45	176	Planning Applications
457	146	603	(113)	0	344	146	490	Regeneration
2,361	566	2,927	(39)	0	2,322	566	2,888	Waste Collection
9,327	**2,375**	**11,702**	**0**	**0**	**9,327**	**2,375**	**11,702**	**Cost of Services**
(8,127)	(1,232)	(9,359)			(8,127)	(1,232)	(9,359)	Other Income and Expenditure
1,200	**1,143**	**2,343**			**1,200**	**1,143**	**2,343**	**Cost of Services**
(7,791)					**(7,791)**			**Opening General Fund Balance**
1,200					1,200			Less (Surplus) or Deficit in Year
(6,591)					**(6,591)**			**Closing General Fund Balance**

18 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 Ascent LLP into the Council's own financial statements.

The group financial statements comprise of:

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

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

18a Group Movement in Reserves Statement

	Single Entity Notes	General Fund			Capital					Authority's share of Unusable Reserves of the Joint Venture	Total Reserves
		General	Earmarked Reserves	Total	Receipts Reserve	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018		(3,106)	(4,685)	(7,791)	(5)	(1,754)	(9,550)	2,156	(7,394)	(63)	**(7,457)**
(Surplus) or deficit on the provision of Services		2,343	0	**2,343**	0	0	**2,343**	**0**	**2,343**	**0**	**2,343**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**2,918**	**2,918**	**(1,072)**	**1,846**
Total Comprehensive Income and Expenditure		2,343	0	**2,343**	**0**	**0**	**2,343**	**2,918**	**5,261**	**(1,072)**	**4,189**
Adjustment between accounting basis & funding basis under regulations	5	(2,489)	1,346	**(1,143)**	(69)	(554)	**(1,766)**	**1,766**	**0**	**0**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(146)	1,346	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**	**(1,072)**	**4,189**
Transfers to/(from) Earmarked Reserves		1,247	(1,247)	**0**	0	0	**0**	**0**	**0**	**0**	**0**
(Increase)/Decrease in 2018/19	11	**1,101**	**99**	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**	**(1,072)**	**4,189**
Balance at 31 March 2019 carried forward		**(2,005)**	**(4,586)**	**(6,591)**	**(74)**	**(2,308)**	**(8,973)**	**6,840**	**(2,133)**	**(1,135)**	**(3,268)**
(Surplus) or deficit on the provision of Services		573	0	**573**	0	0	**573**	**0**	**573**	**0**	**573**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**(8,810)**	**(8,810)**	**399**	**(8,411)**
Total Comprehensive Income and Expenditure		573	0	**573**	**0**	**0**	**573**	**(8,810)**	**(8,237)**	**399**	**(7,838)**
Adjustment between accounting basis & funding basis under regulations	5	(2,024)	1,384	**(640)**	(24)	(898)	**(1,562)**	**1,562**	**0**	**0**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(1,451)	1,384	**(67)**	**(24)**	**(898)**	**(989)**	**(7,248)**	**(8,237)**	**399**	**(7,838)**
Transfers to/(from) Earmarked Reserves		622	(622)	**0**	0	0	**0**		**0**	**0**	
(Increase)/Decrease in 2019/20	11	(829)	762	(67)	(24)	(898)	(989)	(7,248)	(8,237)	399	**(7,838)**
Balance at 31 March 2020 carried forward		**(2,834)**	**(3,824)**	**(6,658)**	**(98)**	**(3,206)**	**(9,962)**	**(408)**	**(10,370)**	**(736)**	**(11,106)**

18b Group Comprehensive Income and Expenditure Statement

2018/19 Group Net Total £000		2019/20 Group Expenditure £000	2019/20 Group Income £000	2019/20 Group Net Total £000
660	Alliance Management	596	0	596
120	Audit	132	0	132
774	ICT	691	0	691
54	Human Resources	48	0	48
272	Member Services	282	0	282
1,188	Property Services	2,206	(1,040)	1,166
(76)	Benefits	12,484	(12,355)	129
176	Planning Applications	616	(530)	86
12	Building Contol	57	(50)	7
592	Customer Services	617	(22)	595
175	Legal Services	242	(9)	233
45	Electoral Services	173	(65)	108
(206)	Licensing and Land Charges	48	(252)	(204)
490	Regeneration	562	(129)	433
513	Communities and Cultural	529	0	529
(53)	Housing Strategy	92	(93)	(1)
216	Transformation	213	0	213
197	Community Safety and Enforcement	229	(49)	180
570	Finance and Performance	913	(351)	562
585	Corporate Finance	350	(104)	246
2,888	Waste Collection	5,465	(2,071)	3,394
396	Street Scene	682	(195)	487
1,588	Leisure Services	1,126	(157)	969
669	Horticulture	624	(114)	510
0	Visitor Services	0	0	0
(143)	Environmental Health	1,290	(1,659)	(369)
11,702	**Cost of Services**	**30,267**	**(19,245)**	**11,022**
1,517	Other Operating Expenditure	1,843	(24)	1,819
285	Financing and Investment Income and Expenditure	1,374	(1,035)	339
(11,161)	Taxation and Non-Specific Grant Income	0	(12,607)	(12,607)
2,343	**(Surplus) or Deficit on Provision of Services**			**573**
(1,427)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			2,337
(1,072)	Share of the Other Comprehensive Income and Expenditure of the Joint Venture			399
4,345	Remeasurement of the net defined pension benefit liability			(11,147)
1,846	**Other Comprehensive Income and Expenditure**			**(8,411)**
4,189	**Total Comprehensive Income and Expenditure**			**(7,838)**

18c Group Balance Sheet

31 March 2019 £000		Notes	31 March 2020 £000
32,892	Property, Plant & Equipment		29,839
572	Heritage Assets		572
3,713	Investment Properties		3,880
53	Intangible Assets		109
1,135	Investment in Joint Ventures	1	736
0	Long Term Investments		0
2,568	Long Term Debtors		2,359
40,933	**TOTAL LONG TERM ASSETS**		**37,495**
1,001	Short Term Investments		2,202
73	Inventories		72
15,009	Short Term Debtors		15,825
7,191	Cash and Cash Equivalents		7,705
23,274	**TOTAL CURRENT ASSETS**		**25,804**
(8,524)	Short Term Borrowings		(10,053)
(4,660)	Short Term Creditors		(6,439)
(1,849)	Provisions		(1,419)
(15,033)	**TOTAL CURRENT LIABILITIES**		**(17,911)**
(2,536)	Long Term Borrowing		0
(43,180)	Net Pension Liability		(34,127)
(60)	Other Long Term Liabilities		(25)
(130)	Grants Receipts in Advance - Capital		(130)
(45,906)	**TOTAL LONG TERM LIABILITIES**		**(34,282)**
3,268	**TOTAL NET ASSETS**		**11,106**
8,973	Usable Reserves - Authority		9,962
(6,840)	Unusable Reserves		408
1,135	Unusable Reserves - Joint Venture	1	736
3,268	**TOTAL RESERVES**		**11,106**

18d Group Cash Flow Statement

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

Group Cashflow 2018/19		Group Cashflow 2019/20
£000		£000
(2,343)	Net Surplus/(Deficit) on the Provision of Services	(573)
8,641	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	2,893
(1,631)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(593)
4,667	**Net Cash Flows from Operating Activities**	**1,727**
398	Investing Activities	(1,838)
(2,735)	Financing Activities	625
2,330	**Net Increase or (Decrease) in Cash and Cash Equivalents**	**514**
4,861	Cash and Cash Equivalents at the Beginning of the Reporting Period	7,191
7,191	**Cash and Cash Equivalents at the End of the Reporting Period**	**7,705**

Group Accounting Policies

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

1. Critical Judgement in Assessing the Collaborative Activity

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

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

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

Notes to the Group Accounts

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

1. Ascent Housing LLP – Registered Company No OC35082

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

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

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

31 March 2019 £000	Ascent Housing LLP (49%)	31 March 2020 £000
(139)	Operating (Profit) / Loss	(124)
311	Expenses (including Taxation)	324
172	**Total (Profit) / Loss**	**200**
(172)	Recognition of Profits/(Losses) suspended as exceed Council's interest in Joint Venture	(200)
0	**Total (Profit) / Loss included within the Group Comprehensive Income and Expenditure Statement**	**0**
13,425	Long Term Assets	13,047
2,447	Current Assets	2,279
15,872	**Total Assets**	**15,326**
(2,954)	Current Liabilities	(2,842)
(11,955)	Long Term Liabilities	(11,948)
(14,909)	**Total Liabilities**	**(14,790)**
963	**Total Net Assets / (Liabilities)**	**536**
172	Recognition of (Profits)/Losses suspended as exceed Council's interest in Joint Venture	200
1,135	**Total Net Assets / (Liabilities) included within the Group Balance Sheet**	**736**

2. Losses made by the Joint Venture

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

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

2018/19 £000	SMDC 49% Share of Loss on Profit and Loss Account	2019/20 £000
372	**Losses brought forward**	**544**
172	Additional losses realised during the year	200
544	**Losses carried forward**	**744**

3. Capital Commitments and Cash Flows in the Joint Venture

A debenture of £5million was fully issued to Ascent Housing by 31st March 2015. An expected credit loss of £688,500 has been applied to the debenture in the Council's single entity accounts. This is described in note 13 to the accounts.

The Council has also made available to Ascent Housing LLP a £20million loan facility. As at 31st March 2016 a total of £14million of this facility had been drawn and there have been no further drawdowns by 31st March 2020; the remaining capital commitment on this loan amounts to £6million.

Interest payments receivable by the Council from Ascent LLP are £492,996 for the loan and £100,000 for the Debenture.

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

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

Going concern

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

Impairment
During 2018/19 Ascent undertook an impairment review to consider whether there were any triggers. As a result of this review, an impairment of £211,000 was included in the accounts reducing the value of Fixed Assets (equivalent to non-current assets) in the Statement of Financial Position (equivalent to the balance sheet) and making a charge against the Operating Expenditure in the Statement of Comprehensive Income (equivalent to the comprehensive income and expenditure statement). This relates to the roof at Daisy Haye, Leek which has been inspected and requires replacement significantly earlier than originally planned. This impairment value has not changed in the 2019/20 Statement of Financial Position.

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

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

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

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

6. Ascent Housing LLP
The Ascent Housing LLP Report and Financial Statements for the year ended 31 March 2020 can be obtained from the registered office – Your Housing Group 602 Aston Avenue, Birchwood Park, Warrington, WA3 6ZN.

Supplementary Statements

Collection Fund Account

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

2018/19 Council Tax £000	2018/19 Business Rates £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 Business Rates £000	2019/20 Total £000
			Income			
	(19,989)		Income due from Business Rates Payers		(20,187)	
	(1,146)		Transitional Protection Payments for Business Rates		(936)	
(55,598)			Income due from Council Tax Payers	(58,114)		
(55,598)	**(21,135)**	**(76,733)**	**Total Income**	**(58,114)**	**(21,123)**	**(79,237)**
			Expenditure			
			Preceptors			
	10,049		Central Government		4,926	
39,810	1,809		Staffordshire County Council	41,236	6,699	
6,333			Staffordshire Police Authority	7,166		
2,418	201		Staffordshire Fire & Rescue Authority	2,506	197	
6,398	8,039		Staffordshire Moorlands DC	6,660	7,881	
		75,057				**77,271**
			Distribution of Previous Year Surplus/ (Deficit)			
	(772)		Central Government		(333)	
167	(139)		Staffordshire County Council	447	(60)	
27			Staffordshire Police Authority	71		
11	(15)		Staffordshire Fire & Rescue Authority	27	(7)	
28	(618)		Staffordshire Moorlands DC	72	(266)	
		(1,311)				**(49)**
			Charges to the Collection Fund			
120	7		Write Offs of Uncollectable Amounts	211	48	
63	89		Increase/ (Decrease) in Impairment Allowance	296	122	
	(143)		Refunds Charged to Provision for Appeals		(510)	
	1,474		Increase/ (Decrease) in Provision for Appeals		(566)	
	115		Cost of Collection Allowance		112	
		1,725				**(287)**
55,375	**20,096**	**75,471**	**Total Expenditure**	**58,692**	**18,243**	**76,935**
(223)	**(1,039)**	**(1,262)**	**Movement on Fund Balance in year**	**578**	**(2,880)**	**(2,302)**
(131)	1,831	1,700	(Surplus)/ Deficit on Fund Brought Forward	(354)	792	438
(354)	**792**	**438**	**(Surplus)/Deficit on Fund Carried Forward**	**224**	**(2,088)**	**(1,864)**

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 a proportion of the Business Rates income is now retained locally. In 2019/20 the Council was a member of the Staffordshire Business Rates 75% retention pilot in which 40% was retained by the Council; 34% (9% 2018/19) was paid to the County Council; 25% (50% 2018/19) to Central Government; 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.

2018/19		2019/20
£56,183,750	Total Non-Domestic Rateable Value at Year End	£56,392,080
49.3p	National Non-Domestic Rate Multiplier	50.4p

2. Council Tax Base

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

Valuation Band	Proportion of Band D Charge (ninths)	Number of Dwellings in Valuation List		Number of Band D Equivalent Dwellings	
		2018/19	2019/20	2018/19	2019/20
Band A	6	9,563	9,578	4,228	4,304
Band B	7	10,558	10,567	6,647	6,668
Band C	8	10,605	10,632	8,214	8,257
Band D	9	6,170	6,185	5,568	5,581
Band E	11	4,317	4,331	4,872	4,888
Band F	13	1,934	1,956	2,565	2,606
Band G	15	770	769	1,196	1,189
Band H	18	32	32	30	32
Total		**43,949**	**44,050**	**33,320**	**33,525**
Deduction for non-collection				(433)	(436)
Additional properties and adjustments during the year				0	0
Council Tax Base (Band D equivalent)				**32,887**	**33,089**

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 2018/19 year were a £617,000 surplus for Council Tax and a deficit of £666,000 for Business Rates, both of which have been distributed in 2019/20.

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 2018/19. For Business Rates, the estimated deficit was apportioned using the prescribed proportions for 2018/19 of 50% (Central Government), 40% (Billing Authority), 9% (County Council), and 1% (Fire Authority).

2018/19 Council Tax	2018/19 Business Rates		2019/20 Council Tax Precept	2019/20 Business Rates Precept	Distribution of Council Tax Estimated Surplus / (Deficit)	Distribution of Business Rates Estimated Surplus / (Deficit)	2019/20 Council Tax Total	2019/20 Business Rates Total
£000	**£000**	**Precepting Authorities**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	9,277	Central Government		4,926		(333)		4,593
39,977	1,670	Staffordshire County Council	41,236	6,699	447	(60)	41,683	6,639
6,360		Staffordshire Police Authority	7,166		71		7,237	
2,429	186	Staffordshire Fire & Rescue Authority	2,506	197	27	(7)	2,533	190
48,766	**11,133**	**Precepting Authorities**	**50,908**	**11,822**	**545**	**(400)**	**51,453**	**11,422**
5,228	7,421	Staffordshire Moorlands District Council	5,383	7,881	72	(266)	5,455	7,615
266		Cheadle Town Council	273				273	
295		Biddulph Town Council	348				348	
141		Leek Town Council	151				151	
496		Parish Councils	505				505	
6,426	**7,421**		**6,660**	**7,881**	**72**	**(266)**	**6,732**	**7,615**
55,192	**18,554**	**Total**	**57,568**	**19,703**	**617**	**(666)**	**58,185**	**19,037**

On the 2019/20 Collection Fund, the accounts record an in-year deficit of £578,000 for Council Tax and an in-year surplus of £2,881,000 for Business Rates. The balance at 31 March 2020 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:

2018/19			2019/20		2019/20	
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**
	(396)	Central Government		887		491
43	(318)	Staffordshire Moorlands District Council	(67)	1,152	(24)	834
258	(71)	Staffordshire County Council	(420)	813	(162)	742
38		Staffordshire Police Authority	(66)		(28)	
15	(8)	Staffordshire Fire & Rescue Authority	(25)	29	(10)	21
354	**(793)**	**Balance at 31 March**	**(578)**	**2,881**	**(224)**	**2,088**

The Council Tax cumulative deficit amounts attributable to the County Council, Office of the Police & Crime Commissioner and Fire & Rescue Authority above are shown as debtors in the 2019/20 Balance Sheet; the Business Rates cumulative surplus amounts attributable to Central Government, the County Council and Fire & Rescue Authority above are shown as creditors in the 2019/20 Balance Sheet.

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

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

2018/19 Council Tax	2018/19 Business Rates		2019/20 Council Tax	2019/20 Business Rates
£000	£000		£000	£000
		Note 3c Taxation and Non-Specific Grant		
(6,452)		Council Tax Income	(6,665)	
	(2,404)	Non-Domestic Rates Retention		(4,030)
(6,398)	(8,039)	SMDC Precept	(6,660)	(7,881)
(28)	618	SMDC share of (Surplus)/ Deficit Distributed in the Year	(72)	266
(26)	(416)	SMDC share of actual (Surplus)/ Deficit recorded at 31st March	67	(1,152)
	234	NDR 75% Pilot Windfall*		(521)
	5,199	NDR Tariff**		5,258
(6,452)	**(2,404)**	**Total**	**(6,665)**	**(4,030)**
0	**0**	**Variance**	**0**	**0**

* As a member of the Staffordshire Business Rates 75% pilot, the Council has received a windfall of the locally retained business rates growth under the terms of the agreement. This is received into the General Fund.

** 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.

Accounting Policies

1. General Principles
The Statement of Accounts summarise the Authority's transactions for a financial year and the position at the financial year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices.
These practices primarily comprise Cipfa's Code of Practice on Local Authority Accounting in the United Kingdom, applicable to the financial year, supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

- In compliance with IFRS15 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.
- In compliance with IFRS15 revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The resources available are concentrated on identifying and accruing individual transactions of £10,000 and above.
- An Accumulated Absences creditor balance is maintained to reflect the value of time owed to employees for accrued holidays, TOIL (time off in lieu) and flexitime. This balance is based on an historic value subject to annual review and amendment where there have been significant changes in staff numbers or working patterns.

3. Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial instruments repayable without penalty on notice of not more than 24 hours.
Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for restructuring.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

The Local Government Pension Scheme
The Staffordshire Pension Fund is part of the Local Government Pension Scheme, and is accounted for as a defined benefit scheme.

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

Expected Credit Loss Model
The authority recognises expected credit losses on all of its financial assets held at amortised cost, either of a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Finance Assets Measured at Fair Value through Profit or Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

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

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

9. Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:
- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

13. Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
The cost of inventories is assigned using the First In First Out [FIFO] costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Property
Investment properties are those that are used solely to earn rentals for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (where applicable–may not be a finance charge e.g. leases in regard to land.)

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historic cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – the measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

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

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

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

Deprecation is calculated on the following basis:

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

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

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

- individual assets and groups of similar assets, whether held at historic cost or current cost, with a gross carrying value of £800,000 and above will be considered for the purposes of componentisation,
- items below this level will be disregarded as the impact upon the total cost of service is not considered material,
- assets that are above the £800,000 threshold will be 'componentised' where the cost of the component is significant in relation to the overall cost of the asset. A component will be deemed significant where it represents 20% of the total cost of the overall asset at the time of acquisition or construction and where the component element has a significantly different useful life and/or method of depreciation to the main asset.
- where assets comprise two or more components any change in overall valuation will not simply be applied to the overall asset but assigned to its component parts in accordance with any split provided by the valuer.

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

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

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

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

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

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

Unusable Reserves
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. They are of two kinds:
a) those that hold unrealised gains and losses. Arising from changes in Asset or Liability valuation, where gains/ losses will only be released once the Asset/ Liability is disposed of
b) adjustment accounts that carry a balance reflecting the timing difference between income and expenditure as recognised under accounting standards and that required under statute.

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

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

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

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, as detailed below.
Both the Civic Regalia and Nicholson collections are held on the Balance Sheet at Insurance Value which is based on market value. It is considered that they have an indefinite life and therefore Depreciation is not charged. The Nicholson Collection is specifically maintained and preserved in its original condition.
In addition, both collections are annually reviewed in order to establish if carrying values remain current and if impairment is required.
For security reasons, the Council does not publicly reveal precise details of either its Civic Regalia or the Nicholson Collection.

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

22. Council Tax and Non-Domestic Rates
Billing authorities act as agents, collecting Council Tax and Non-Domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as

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

Accounting for Council Tax and NDR

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

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

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

23. Fair Value Measurement

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

24. Presentation of Items in Other Comprehensive Income & Expenditure

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

Glossary of Financial Terms

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

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

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

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

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

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

Balance Sheet
A snapshot of the overall financial position of the Council at the reporting date.

Balances
Reserves held in Council funds at the reporting date.

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

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

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

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

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

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

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

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

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

Consistency
Accounting concept applied in the preparation of the accounts, ensuring that the accounting treatment of like

items within a period and from one period to the next is the same.

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

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

Current Assets
Items that can be readily converted into cash.

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

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

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

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

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

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

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

Fair Value
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fees and Charges
Income arising from the provision of services.

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

Financial Instrument
These are contracts that give rise to a financial asset of one entity and a financial liability of another. Examples include trade payables and receivables, borrowings, investments, loans and bank deposits.

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

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

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

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

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

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

Income & Expenditure Account

Summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-Domestic Rates (NDR)
Amounts payable to local authorities from Non-Domestic Rates properties then distributed to Central Government; the County Council; Fire Authority; and the Council.

Non-Operational Assets

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

Operating Leases
A lease other than a finance lease.

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

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

Provisions
Amounts set aside where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential. The best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

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

Revenue Expenditure
Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure classified as capital for funding purposes which does not result in a non-current asset being carried on the Balance Sheet. This would include capital grants or renovation grants to private persons.

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

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

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

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

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

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

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