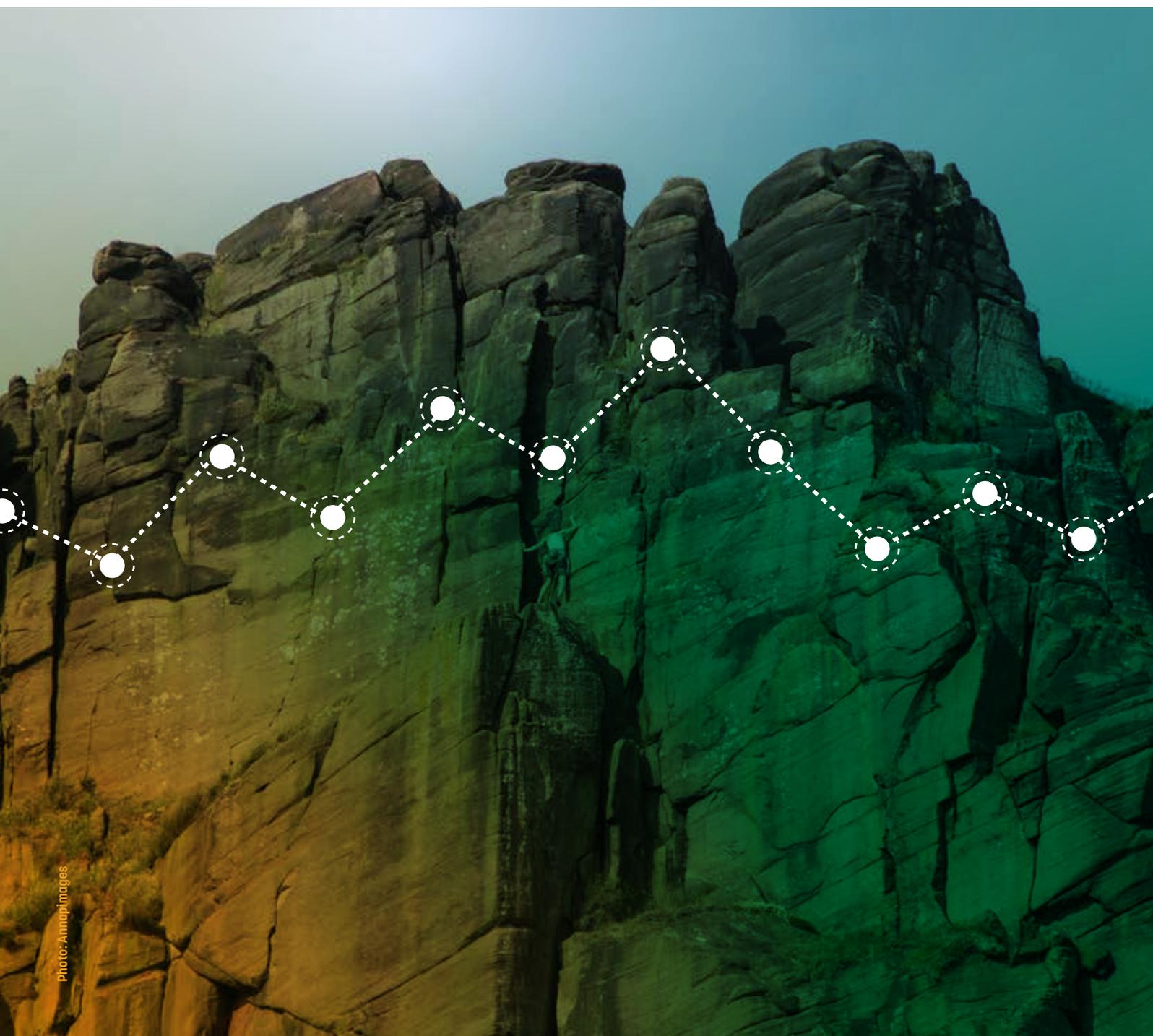


# Statement of Accounts

2021 - 2022



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# Chief Finance Officer's Narrative Report

The Council's Statement of Accounts for the year ended 31 March 2022, 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 2021/22; 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.

## Staffordshire Moorlands District

The District of Staffordshire Moorlands covers an area of 57,600 hectares, of which 32% is classed as rural, and serves a resident population of 95,800<sup>1</sup>. There are 44,541 domestic households on the Council Tax valuation list and 3,178 non-domestic properties on the Business Rates list as at 31<sup>st</sup> March 2022.

The District has faced significant financial challenges over recent years because of austerity measures, alongside 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 core Central Government funding has reduced substantially. This increases the control and influence the Council has over locally generated income but makes it more vulnerable to fluctuations within the local economy, increasing financial risk. The negative impact of the on-going Coronavirus Pandemic on the world economy has been further worsened by Russia's invasion of Ukraine. The latter has caused a severe spike in global commodity prices. The UK and local economy is not immune to the resulting inflationary pressures.

## Changes to Accounting Reporting Deadlines

The Department of Levelling Up Housing and Communities (DLUHC) has put in place revised regulations to extend statutory deadlines for 2021/22. This year the Council's draft accounts (which must be confirmed by the responsible finance officer [RFO]) are required to be published by 31<sup>st</sup> July and to be audited by 30<sup>th</sup> November 2022.

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<sup>1</sup>

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationandhouseholdestimatesenglandandwalescensus2021>

## Future Challenges and Opportunities

The lingering impact of coronavirus pandemic on inflationary pressures has been compounded by the Ukraine conflict. 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:

**Business Rates** – As part of the current Business Rates Retention system, authorities are currently able to retain a 50% proportion of any growth in Business Rates over and above a centrally established baseline. The Retention system is being reviewed by Government along with the Fair Funding Review but has been subject to various delays. Therefore, no financial assumptions of a new system have been included with the Council's financial plans thus far.

**Council Tax** - The Council has the capacity to vary Council Tax levels, but any increase above a threshold set by Government is subject to a local referendum. In 2022-23, the threshold was 3% the Council set a tax increase of 2.99%.

**New Homes Bonus** – This is a financial reward scheme awarded to Authorities who demonstrate an increase in housing provision on an annual basis. The Council will receive £255,050 in 2022/23. Going forwards the Medium Term Financial Plan (MTFP) assumes that the Council will receive funding at a reducing level of £100,000 in 2023/24 and £75,000 per annum in the following years pending the outcome of the current consultation.

**Other Government Funding** – The December 2021 spending review announcement confirmed the following Government support to the Authority in 2022/23: a Lower Tier Services Grant of £117,630; a Services Grant of £180,780; and a Rural Services Delivery Grant of £63,440. It is assumed that the Rural Services Delivery Grant will be on-going throughout the life of the MTFP; the New Services Grant will reduce to 75% of that received in 2022/23; and the Lower Tier Services Grant will not be awarded in 2023/24 or thereafter.

### Inflation Pressures

The negative impact of Russia's invasion of Ukraine, meant that there was a unprecedented pressure on European energy markets, at this stage it is impossible to predict the impact on the Authority's finances and financial planning due the resulting

volatility. Inflationary pressures across all services, including partner organisations, will be monitored throughout the coming years.

### **Efficiency & Rationalisation Programme**

The Efficiency and Rationalisation Strategy approved by Members in February 2017 identified a programme of £3.1million in savings to be made over the period 2017/18 to 2020/21. Whilst a good proportion of the savings were delivered, a remaining in-year target of £830,430 was set for 2021/22, focusing on the removal of surplus budgets no longer needed. Against the challenging backdrop of the peri- and post-pandemic pressures, a shortfall of £134,000 has been rolled forward to be realised in 2022/23 onwards. The Council carries the longstanding earmarked reserve of £493,000 established to support with any reprofiling requirements.

### **Going Concern**

The Statement of Accounts 2021/22 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 MTFP. This includes the Chief Finance Officer's statement regarding the adequacy of reserves and balances.

All known events that could impinge 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 an established quarterly reporting process to Cabinet to monitor in year financial performance.

Recognising that there has been no indication of further support from the Government on legacy impacts of the coronavirus pandemic, the Council has earmarked a £600,000 reserve to help reduce any unforeseen consequences from this and resulting situations.

With expectation of the remainder of the 2017 efficiency plan being addressed throughout the MTFP set in February 2022, a refreshed approach to Efficiencies, Economies and Effectiveness in the Councils is being considered amongst the Alliance Leadership and Management teams, and other stakeholders, commencing with an 'Ideas Lab' exercise undertaken in the summer of Autumn 2022. The outputs of which will be considered and incorporated into a new programme.

In terms of the Council's cash and liquidity position, the average maturity of investments during the year was necessarily short to allow for continuing uncertainties

over cashflow during the coronavirus pandemic. The Treasury function is scrutinised by the Audit & Accounts Committee.

## 2021/22 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 2021/22 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 2021/22 net general fund budget was set at £10,447,220 with £4,267,280 to be funded out of reserves. However £3,989,340 of these reserves were a carry forward of Government grant received in 2020/21. This was compensation for the residual impact on the District's Business Rates income stream as a result of the extra reliefs given to businesses during the pandemic.

### *What we actually spent*

The Authority's actual performance against budget resulted in a £2,522,818 operating surplus in 2021/22, analysed in the table below.

	Budget £	Actual £	Variance £
Activities	10,447,220	9,747,135	(700,085)
Funding: External	(6,179,940)	(7,724,760)	(1,544,820)
Reserves	(4,267,280)	(4,545,193)	(277,913)
Operating Deficit / (Surplus) in the Year		(2,522,818)	(2,522,818)
Adding back the actual net use of reserves			4,545,193
Gives the decrease in Reserves Generated			<b>2,022,375</b>

Funding levels achieved were £1,544,820 above expectations. This was primarily down to additional monies received from Government to compensate the Authority for a significantly reduced tax take from local businesses in 2021/22. In light of the on-going impact of the Pandemic Government had reduced Business Rates liability across a broad swathe of business. The resulting reduction in cash collected created a deficit on the Authority's Collection Fund in 2021/22 which will have to be made good in future years. As a result some £906,000 of this money has been set aside to cover this deficit in 2022/23.

Actual spend on activities during 2021/22 was £700,085 less than anticipated. Significant contributions coming from an upturn in the income streams generated by the Planning and Waste Disposal services plus third party funding of the District's Covid 19 response.

The actual use of reserves was £277,913 greater than budgeted, as the District identified a number of in-year activities where it was appropriate to apply previously earmarked funds. This increased the use of reserves to £4,545,193 which when deducted from the £2,522,818 surplus, gives the resulting actual net reduction in the District's reserves, £2,022,375. As illustrated below this reduced the value of the Authority's usable reserves to £12.874m, prior to reserves used to fund Capital.

Revenue Reserves	Brought Forward £000	Redesignated Reserves £000	Final Position 2020/21 £000	2021/22 Net Change £000	2021/22 Revenue Balance £000	2021/22 Applied to Capital £000	Carried Forward £000
Capital Support	0		0	2,414	2,414	(2,414)	0
Earmarked	3,718	7,092	10,810	(5,404)	5,406		5,406
General Revenue	11,179	(7,092)	4,087	968	5,055		5,055
	<b>14,897</b>	<b>0</b>	<b>14,897</b>	<b>(2,022)</b>	<b>12,875</b>	<b>(2,414)</b>	<b>10,461</b>

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 2021/22 £2.414m of General Revenue reserves were redesignated for Capital Support and were used to fund the Authority's Capital Programme. A review of the District's overall reserves identified that some £1.365m was appropriate to be earmarked to support future revenue activities. This included the creation of a £0.6m reserve to support the District's bids for Levelling-Up monies from Central Government with a further £0.25m set aside to mitigate against inflationary pressures.

The General Revenue Reserve is primarily held as a contingency to provide the Authority with operational funds and as a safeguard against financial risk (such as the Coronavirus pandemic). Current risk-based assessments set the Council's need for a revenue contingency at £1.48m. At the end of 2021/22 the reserve stood at £3.69m, which is £2.21m above the minimum contingency level.

Revenues Reserves	Earmarked £000	General £000	Total £000
Year End	5,405	5,055	10,460
Redesignated	1,365	(1,365)	0
Minimum Contingency	0	(1,480)	(1,480)
	<b>6,770</b>	<b>2,210</b>	<b>8,980</b>

The current Medium-Term Financial Plan does not expect to erode general contingency reserves, with a modest increase of £5,340 predicted over the next four years.

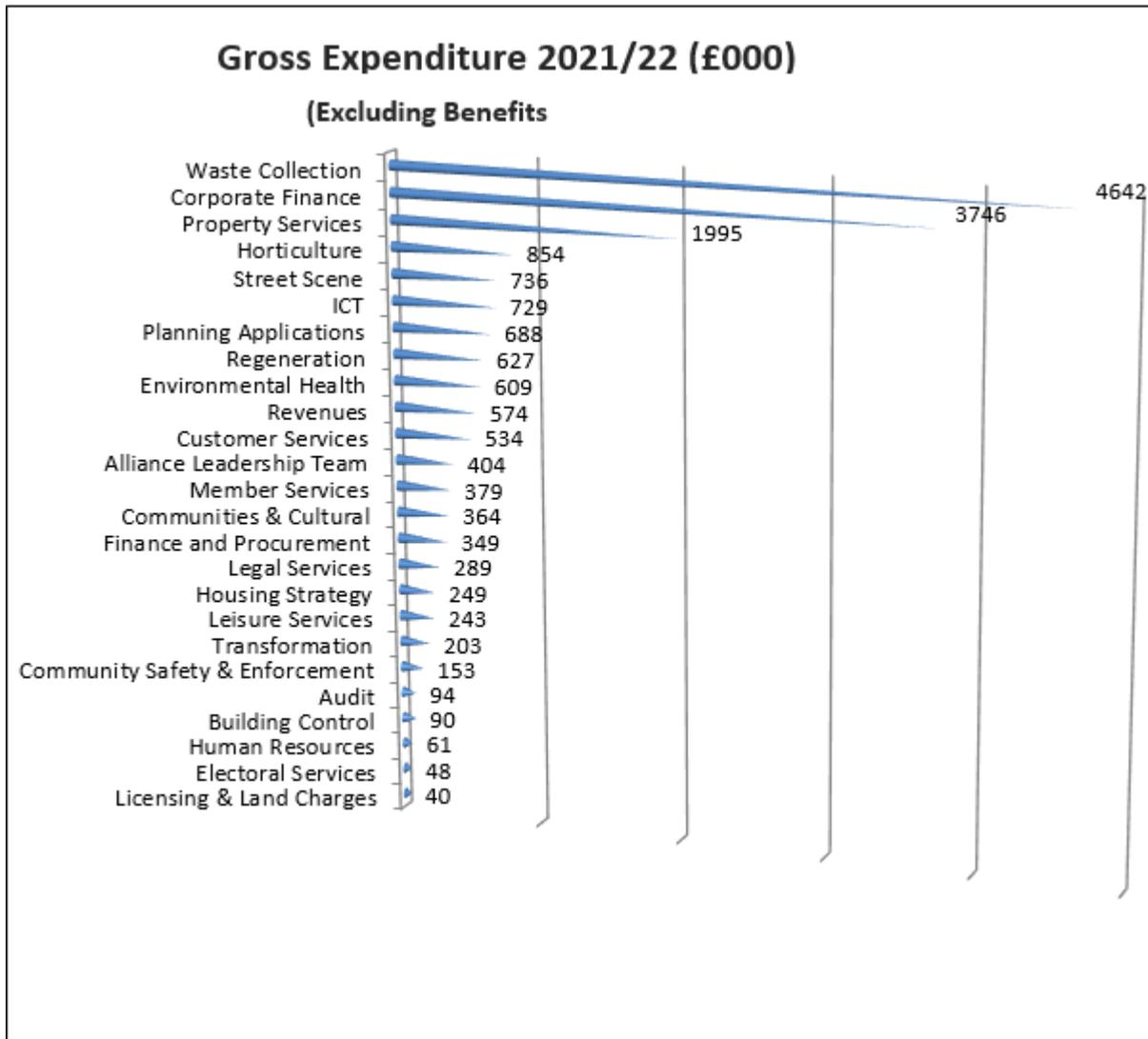
### ***How the money was spent***

The Comprehensive Income & Expenditure Statement (CIES) (page 26) 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 £12.031m across the service areas around which the Authority organises its budget. 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. However, statutory provisions require that such charges are excluded from the amount charged to Council Taxpayers.

The Expenditure and Funding Analysis (EFA) (page 30) reconciles the service outturn reported in the CIES with the £9.747m spend on activities as measured against the 2021/22 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 £2.523m surplus generated in the year.

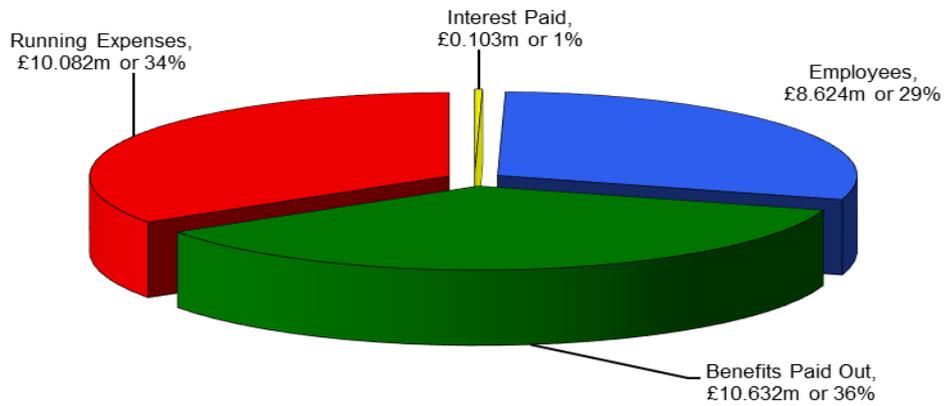
	<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>
CIES	32,669	(20,713)	11,956
Nominal Adjustments	(3,228)	944	(2,284)
<b>EFA</b>	<b>29,441</b>	<b>(19,769)</b>	<b>9,672</b>
Funding :			
External		(7,650)	(7,650)
Reserves		(4,545)	(4,545)
	<b>29,441</b>	<b>(31,964)</b>	<b>(2,523)</b>

An analysis of the £29.441m Gross Expenditure illustrates how actual revenue resources were applied in 2021/22. At £10.7m the administration and payment of Benefits accounted for 37% of the Authority's revenue spend. The chart below profiles the remaining 63% - £18.74m - 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 £10.63m is the payment of Housing Benefits on behalf of Central Government.

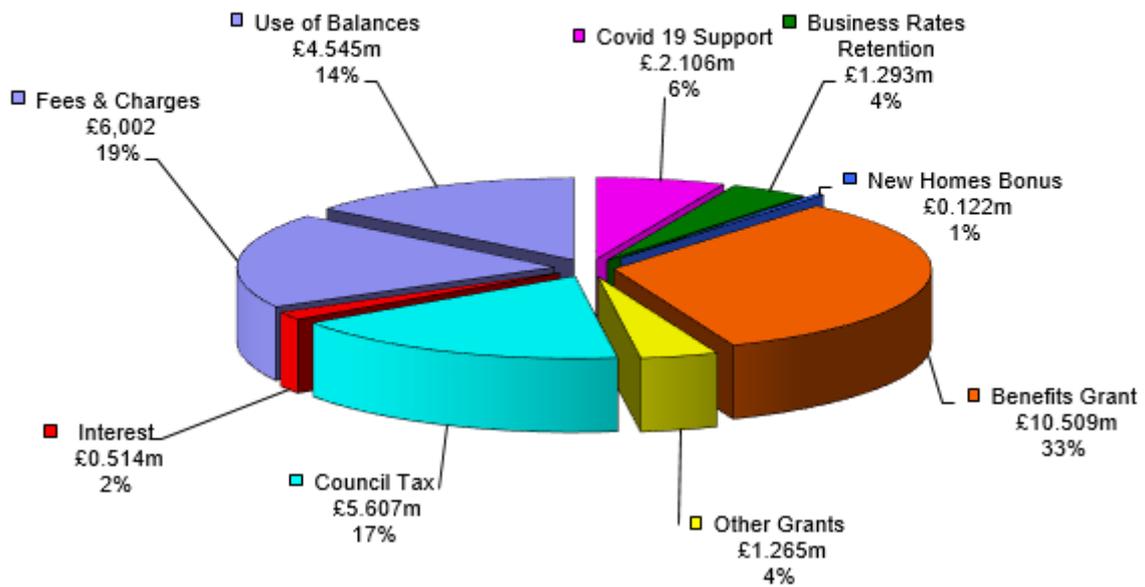
### Revenue Expenditure - Total £29.441m



### How it was paid for

Excluding the £10.509m 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 £21.38m in funding (excluding the Benefit grant) 63% - £13.416m – is from the locally generated income streams of Council Tax, Business Rates, interest and fees and charges, while 21% - £4.5m was met out of Reserves. Of the remaining £3.49million of grant funding £2.106m related to Covid 19 support received towards both the District’s own activities (£0.936m) and to support local residents and businesses (£1.17m).

### Revenue Funding - Total £31.964m



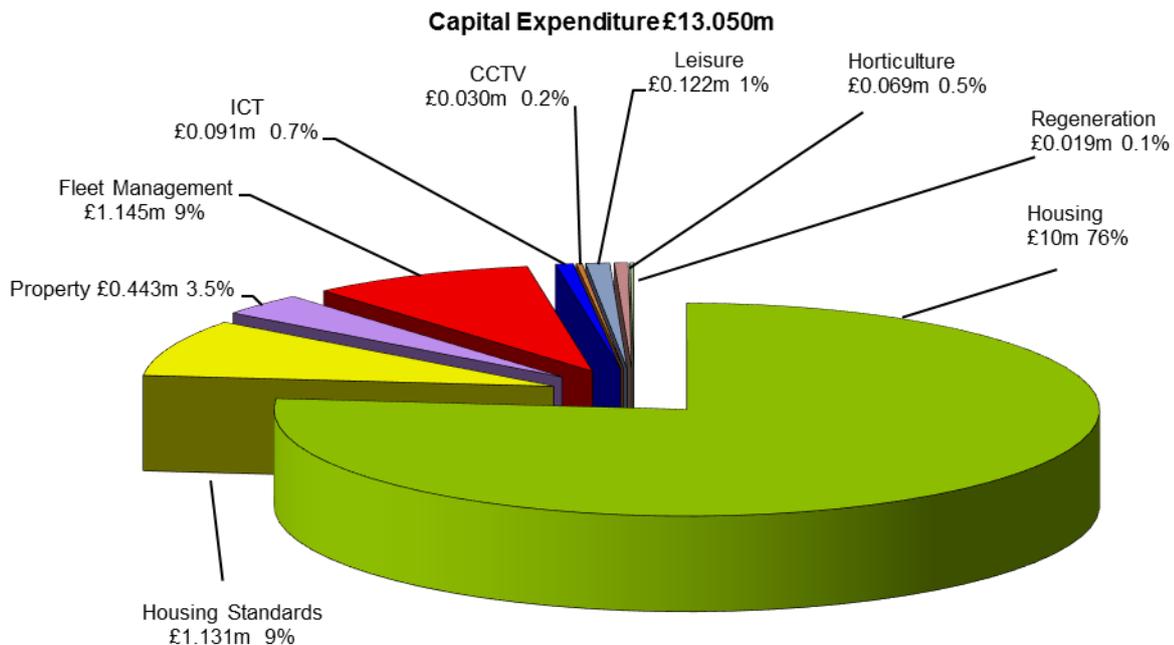
## Capital Spending

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 2022 and included capital commitments of £13.9million over the period 2022/23 to 2025/26.

### *How the money was spent*

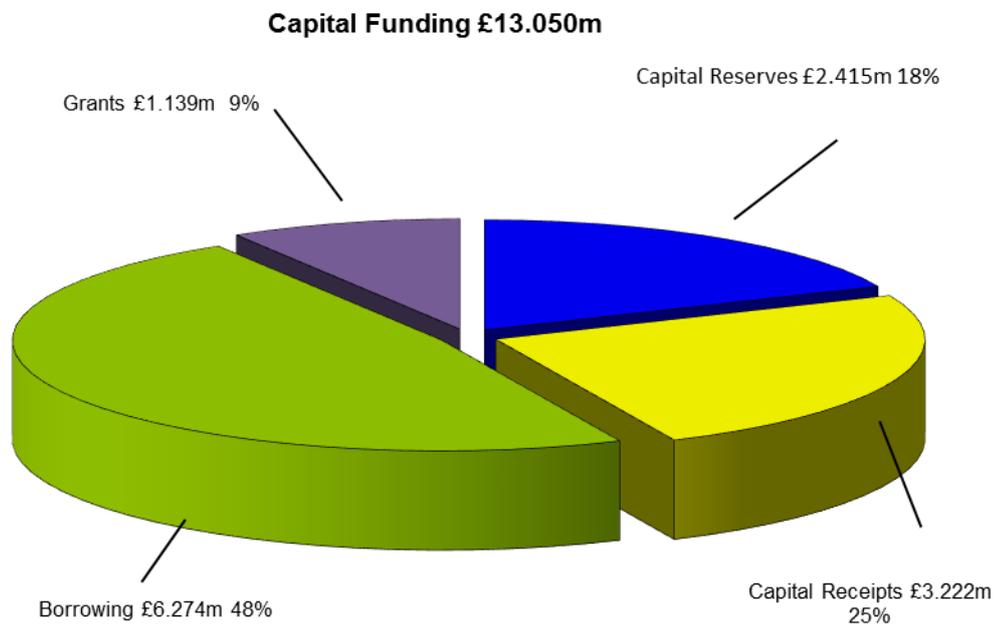
The actual spend in 2021/22 was £13.049million. This spend was £0.9million less than that budgeted for the year. Major areas of capital expenditure and significant individual projects included:

- Housing - A new Capital Service Loan of £10million was made to Your Housing Limited.
- Property – resurfacing of car parks and leisure centre & boundary walls structural works (£0.443m);
- Fleet Management – acquisition and enhancement of vehicles, through direct purchase, for the Council's joint operation, Alliance Environmental Services (£1.145m).
- Housing Standards - disabled facilities grants (DFG), (£1.131m)
- Leisure – Grants to Sports clubs (£0.122m)



### ***How it was paid for***

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2021/22 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.
- Capital Receipts – income from the sale of assets.
- 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 2021/22 the Authority's net worth, as reported on the Balance Sheet, stood at a net asset value of £20.651million. When compared to an opening value of £3.876million at the beginning of the year. This represents an increase in net worth of £16.774million.

	31 March 2021 £000	31 March 2022 £000
Long Term Assets	34,327	36,033
Capital Loan - Service Investment (Housing)	15,648	10,000
Net Current Assets (debtors, inventories, less creditors, other liabilities)	9,854	16,140
Borrowing	(15,058)	(12,669)
Pensions Liability	(40,765)	(28,410)
Other Long Term Liabilities and Provisions	(130)	(444)
<b>Net Assets</b>	<b>3,876</b>	<b>20,650</b>
<b>Represented by: Usable Reserves</b>	<b>18,931</b>	<b>5,513</b>
<b>: Unusable Reserves</b>	<b>(15,055)</b>	<b>15,137</b>

How can the Authority have experienced such an increase in value when its revenue activities in the year actually resulted in a £2.022million reduction in reserves? Well the primary reason is the change in the valuation of the Authority's long term pension liability. The 12.355 million decrease in pension liability is considered below.

**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 31<sup>st</sup> March. While in reality pension schemes continue over generations this snapshot measurement draws attention to any underlying long-term strengths or weaknesses. The measurements applied to the Council's scheme at the end of 2021/22 decreased the liability reported on the Balance Sheet by £12.355million to £28.410million. The pension valuation is performed on behalf of the Council by suitably qualified professionals guided by statute and best practice. In arriving at their valuation they will apply certain assumptions around returns on investments and projected future pension liabilities. Their 2021/22 valuation recorded a 0.7% increase in the expected yield from Corporate Bonds and this alone was sufficient to reduce the District's liability by £13.7million. Significant fluctuations in these annual valuations are not uncommon and are therefore not seen as a true reflection of the Council's short to medium term liability.

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 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:

	<b>Aim</b>	<b>Objectives</b>
1	Help create a safer and healthier environment for our communities to live and work	<ul style="list-style-type: none"> <li>• Increased supply of good quality affordable homes</li> <li>• Develop a positive relationship with communities</li> <li>• Effective relationship with strategic partners</li> <li>• Effective support of community safety arrangements including CCTV</li> <li>• Provision of sports facilities and leisure opportunities focused upon improving health</li> </ul>
2	Use resources effectively and provide value for money	<ul style="list-style-type: none"> <li>• Effective use of financial and other resources to ensure value for money</li> <li>• Ensure services are easily available to all our residents in the appropriate channels and provided "right first time"</li> <li>• A high performing and well motivated workforce</li> <li>• Effective procurement with a focus on local business</li> <li>• Effective use of ICT</li> <li>• More effective use of Council assets</li> </ul>
3	Help create a strong economy by supporting further regeneration of towns and villages	<ul style="list-style-type: none"> <li>• Encourage business start-ups and enterprises</li> <li>• Flourishing town centres that support the local economy</li> <li>• Encourage and develop tourism</li> <li>• High quality development and building control with an "open for business" approach</li> </ul>
4	Protect and improve the environment and respond to the climate emergency	<ul style="list-style-type: none"> <li>• Effective recycling and waste management</li> <li>• Meeting the challenges of climate change</li> <li>• Provision of high quality public amenities, clean streets and environmental health</li> <li>• Provision of quality parks and open spaces</li> <li>• Car parking arrangements that meet the needs of residents, businesses and visitors</li> </ul>

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.

Customer focused

Honest and open communicators

One team

Innovative

Can-do culture

Every penny counts

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

## Risk Management

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

## Our Performance in 2021/22

The Council used a range of financial and other indicators to measure performance in 2021/22. At the end of March, 68% of the Council's performance targets for the year had been met, a 2% dip on last year. In terms of trends, 56% 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, external sports funding secured, homelessness applications opened at the 'prevent' stage, self-serve interactions, repeat complaints, business unit occupancy, town centre vacancy rates, street cleanliness standards, missed bins, and planning applications processed in time.

The service areas which fell short of target include use of temporary accommodation in excess of 6 weeks, FOI request response times, sickness absence, agent satisfaction with the planning process, 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:



- ✓ Secured grant funding through the Rough Sleeping Accommodation Programme to deliver self-contained supported accommodation for rough sleepers
- ✓ Introduced new Community Safety Strategies and delivered Community Safety Action Plans
- ✓ Created an amazing new activity zone in Brough Park, comprising of a new destination standard play area and two refurbished tennis courts
- ✓ Provided £35,000 capital funding to Werrington Parish Council to develop a new pump track facility at Meigh Road Recreation Ground. This was match funded by a further £25,000 from British Cycling

**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:



- ✓ Enabled 59% of all transactions to be carried out through self-serve options
- ✓ Published our new digital, organisational development and access to services strategies
- ✓ Implemented an agile working policy and a cycle to work scheme
- ✓ Awarded 20% of contracts worth in excess of £5k to local suppliers who submitted expressions of interest
- ✓ Maintained a high occupancy rate (98%) in our commercial estate
- ✓ Invested over £48,000 in employee training across the Alliance

**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:



- ✓ Ensured businesses affected by Covid received the financial support for which they were eligible. Over £4.7m discretionary grants were distributed in the Staffordshire Moorlands
- ✓ Achieved a town centre average vacancy rate of 10% (Sept 2021)
- ✓ Helped 25 micro-businesses in the Moorlands receive a year's free membership to the Federation of Small Businesses (FSB) to help them plan for the future
- ✓ Allocated £60,350 in grants to schemes that assist with the repair and restoration of heritage buildings and places within the Moorlands
- ✓ Determined 100% of 'major' planning applications in time

**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:

- ✓ Adopted a Climate Change Strategy
- ✓ Completed a Parking Review and adopted a new strategy
- ✓ Resurfaced Tape Street car park in Cheadle
- ✓ Maintained the Green Flag award at Ladderedge Country Park for the 8<sup>th</sup> consecutive year
- ✓ Achieved street cleanliness standards of 93% and supported 212 community clean-up campaigns
- ✓ Used less than half the expected quantity of paper across the Alliance



## 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 to increase value-for-money and minimise future Council Tax increases.

The arrangement – which has featured a fully integrated Joint Senior Management Team and widespread joint service delivery – crosses both county and regional boundaries. The Alliance sits at the heart of the Council’s Efficiency and Rationalisation Strategy.

### ***Affordable Housing Joint Venture***

Ascent Housing LLP was a joint venture company between the Council and Your Housing Group Limited, created to provide affordable housing across the district. The Council had a 49% shareholding and appointed two out of the four executive board directors with a contractual agreement to share control. The company operated from 21<sup>st</sup> September 2010 to 26<sup>th</sup> January 2022 when the portfolio of properties was sold, and the Council’s membership in the company transferred, to Your Housing Limited. This is described in more detail in note 2e Interests in companies & other entities and joint arrangements.

### ***Environmental Services Joint Venture – Alliance Environmental Services Limited (AES)***

From 2017 the Council established a joint venture partnership with Alliance partner High Peak Borough Council and Ansa (a subsidiary of Cheshire East Council) to deliver waste collection, street cleansing, grounds maintenance and fleet management services.



The collaborative arrangement has been assessed to be a joint operation with 50% of the service being used by Staffordshire Moorlands District Council and 50% 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 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 31<sup>st</sup> March 2022 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 2021/22, which in turn is underpinned by the International Financial Reporting Standards.

The Council's core financial statements, beginning at page 25, 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.

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 2021/22 Statement of Accounts shows that our finances remain sound. Revenue and capital spending are controlled by affordable budgets while assets and reserves exist to support services and the achievement of key priorities.

**Martin Owen**, MBA FCCA CMgr FCMI  
Executive Director & Chief Finance Officer  
Date: 2nd March 2023

#### **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 17<sup>th</sup> February 2023

**Councillor Jim Davies**  
Chair of the Audit & Accounts Committee  
Staffordshire Moorlands District Council  
Date : 2nd March 2023

# 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 31<sup>st</sup> March 2022).

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
- Complied with the Code of Practice.

The Executive Director (CFO) has also:

- Kept proper accounting records which were up to date
- 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 31<sup>st</sup> March 2022 and its income and expenditure for the year.

**Martin Owen, MBA FCCA CMgr FCMI**  
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 84 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 2021/22.

## 2. Accounting Standards Issued, Not Adopted

A number of new or amended standards have been issued that are not yet included in the Code. The Authority is obliged to consider what, if any, the impact would have been on these Statements had they been applied in 2021/22.

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

The implementation of IFRS 16 has been deferred by CIPFA until the 2024/25 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.

There are a small number of new or amended Standards, none of which are expected to impact this Council;

- IFRS 1 – (First time adoption of IFRS) - amendment relates to adoption by foreign operations of acquired subsidiaries.
- IAS 37 (Provisions, Contingent Liabilities and Assets) – clarifies the intention of the standard in regard to onerous contracts.
- IAS 41 (Agriculture) – sets out the accounting for agricultural activity
- IAS 16 (Property, Plant and Equipment) amended to clarify treatment of sale proceeds as income and not a contra to cost.

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

### **3. Critical Judgements in Applying Accounting Policies**

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

- 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 returns on assets. In the council's view the actuarial valuation used in these statements is robust, satisfying the requirement to use a professional assessment of the most up-to-date data.
- 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. 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 uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

#### COVID-19

The Covid-19 pandemic continued to have a significant negative impact on the world, UK and local economy during 2020/21. Restrictions continued well into 2021/22 and in spite of the significant financial packages implemented by Government and the Bank of England UK Gross Domestic Product (GDP) remains well below pre pandemic levels. Whilst GDP is expected to recover, 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
<b>Pensions Liability</b>	<p>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 £284,100 (total £28,410,000).</p> <p>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</p>
<b>Asset Valuations</b>	<p>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 £359,790 (total £35,979,000).</p>

# Financial Statements

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

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

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

- **Collection Fund**

## 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		Total Usable Reserves	Unusable Reserves	Total Council Reserves
		General	Earmarked Reserves	Total	Receipts Reserve	Grants Unapplied			
		£000	£000	£000	£000	£000			
<b>Balance at 31 March 2020</b>		(2,419)	(4,239)	(6,658)	(98)	(3,206)	(9,962)	(408)	(10,370)
(Surplus) or deficit on the provision of Services		(1,037)	0	(1,037)	0	0	(1,037)	0	(1,037)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	7,531	7,531
<b>Total Comprehensive Income and Expenditure</b>		(1,037)	0	(1,037)	0	0	(1,037)	7,531	6,494
Adjustment between accounting basis & funding basis under regulations	5	(7,943)	741	(7,202)	94	(824)	(7,932)	7,932	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		(8,980)	741	(8,239)	94	(824)	(8,969)	15,463	6,494
Transfers to/(from) Earmarked Reserves		7,312	(7,312)	0	0	0	0	0	0
<b>(Increase)/Decrease in 2020/21</b>	11	(1,668)	(6,571)	(8,239)	94	(824)	(8,969)	15,463	6,494
<b>Balance at 31 March 2021 carried forward</b>		(4,087)	(10,810)	(14,897)	(4)	(4,030)	(18,931)	15,055	(3,876)
(Surplus) or deficit on the provision of Services		(191)	0	(191)	0	0	(191)	0	(191)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	(16,583)	(16,583)
<b>Total Comprehensive Income and Expenditure</b>		(191)	0	(191)	0	0	(191)	(16,583)	(16,774)
Adjustment between accounting basis & funding basis under regulations	5	2,213	2,415	4,628	0	(643)	3,985	(3,985)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		2,022	2,415	4,437	0	(643)	3,794	(20,568)	(16,774)
Transfers to/(from) Earmarked Reserves		(1,624)	1,624	0	0	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	11	398	4,039	4,437	0	(643)	3,794	(20,568)	(16,774)
<b>Balance at 31 March 2022 carried forward</b>		(3,689)	(6,771)	(10,460)	(4)	(4,673)	(15,137)	(5,513)	(20,650)

## 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.

2020/21				Notes	2021/22		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
446	0	446	Alliance Leadership Team	547	0	547	
121	0	121	Audit	140	0	140	
880	(4)	876	ICT	797	(2)	795	
54	1	55	Human Resources	60	0	60	
260	0	260	Member Services	379	0	379	
2,360	(565)	1,795	Property Services	2,112	(853)	1,259	
11,946	(11,721)	225	Benefits	10,742	(10,731)	11	
0	0	0	Revenues	733	(378)	355	
699	(393)	306	Planning Applications	809	(623)	186	
57	(78)	(21)	Building Control	90	(40)	50	
548	(14)	534	Customer Services	615	(3)	612	
224	(5)	219	Legal Services	302	(45)	257	
60	(8)	52	Electoral Services	48	(2)	46	
30	(261)	(231)	Licensing and Land Charges	40	(256)	(216)	
429	(77)	352	Regeneration	704	(378)	326	
457	(7)	450	Communities and Cultural	413	(13)	400	
88	(110)	(22)	Housing Strategy	288	(235)	53	
192	0	192	Transformation	232	0	232	
126	(15)	111	Community Safety and Enforcement	151	(29)	122	
834	(237)	597	Finance and Procurement	450	0	450	
3,318	(5,402)	(2,084)	Corporate Finance*	2,395	(1,413)	982	
5,134	(2,258)	2,876	Waste Collection	5,479	(2,745)	2,734	
780	(303)	477	Street Scene	801	(375)	426	
1,659	(4)	1,655	Leisure Services	1,545	0	1,545	
783	(204)	579	Horticulture	894	(328)	566	
1,608	(2,001)	(393)	Environmental Health	1,903	(2,189)	(286)	
<b>33,093</b>	<b>(23,666)</b>	<b>9,427</b>	<b>Cost of Services</b>	<b>32,669</b>	<b>(20,638)</b>	<b>12,031</b>	
2,069	0	2,069	Other Operating Expenditure	1,942	0	1,942	
1,628	(950)	678	Financing and Investment Income and Expenditure	1,148	(2,794)	(1,646)	
(13,211)		(13,211)	Taxation and Non-Specific Grant Income and expenditure		(12,518)	(12,518)	
		<b>(1,037)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(191)</b>	
		(713)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(2,018)	
		8,244	Remeasurement of the net defined pension benefit liability			(14,565)	
		<b>7,531</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(16,583)</b>	
		<b>6,494</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(16,774)</b>	

\*contains £2,088,920 (£2,924,084 2020/21) expenditure in relation to Discretionary Covid 19 support grants paid out and £1,007,469 (£4,106,590 2020/21) income received from Government to fund this activity.

## Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2022. 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 2021 £000		Notes	31st March 2022 £000
29,725	Property, Plant & Equipment	6a	31,089
584	Heritage Assets		584
3,829	Investment Properties	6b	4,081
183	Intangible Assets		226
1,654	Long Term Debtors	8	10,053
<b>35,975</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>46,033</b>
4,913	Short Term Investments	13a	14,544
78	Inventories		79
23,256	Short Term Debtors	8	4,078
12,492	Cash and Cash Equivalents	7	14,023
<b>40,739</b>	<b>TOTAL CURRENT ASSETS</b>		<b>32,724</b>
(540)	Cash and Cash Equivalents	7	0
(7,007)	Short Term Borrowings	13a	(5,065)
(15,225)	Short Term Creditors	9	(16,088)
(1,120)	Provisions	10	(496)
<b>(23,892)</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>(21,649)</b>
(8,051)	Long Term Borrowing	13a	(7,604)
(40,765)	Pensions Liability	4c	(28,410)
(130)	Grants Receipts in Advance - Capital		(444)
<b>(48,946)</b>	<b>TOTAL LONG TERM LIABILITIES</b>		<b>(36,458)</b>
<b>3,876</b>	<b>TOTAL NET ASSETS</b>		<b>20,650</b>
18,931	Usable Reserves	11	15,137
(15,055)	Unusable Reserves	12	5,513
<b>3,876</b>	<b>TOTAL RESERVES</b>		<b>20,650</b>

The unaudited accounts were issued on 29th July 2022 and the audited accounts were authorised for issue on 2nd March 2023

**Martin Owen, MBA FCCA CMgr FCMI**  
Executive Director & Chief Finance Officer  
Staffordshire Moorlands District Council

## Cash Flow Statement

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

2020/21		Note	2021/22
£000		\$	£000
1,037	Net Surplus/(Deficit) on the Provision of Services		191
(6,394)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	16a	6,589
(1,774)	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	16a	3,118
<b>(7,131)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>9,898</b>
(3,975)	Investing Activities	16c	(6,662)
15,353	Financing Activities	16d	(1,165)
<b>4,247</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>2,071</b>
7,705	Cash and Cash Equivalents at the Beginning of the Reporting Period	7	11,952
<b>11,952</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>14,023</b>

# 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.

Net Expenditure to General Fund Balance £000	2020/21		Net Expenditure in the CIES £000		2021/22		Net Expenditure in the CIES £000
	Adjustments Funding & Accounting £000				Net Expenditure to General Fund Balance £000	Adjustments Funding & Accounting £000	
358	88	446	405	142	547		
95	26	121	94	46	140		
752	124	876	727	68	795		
53	2	55	61	(1)	60		
260	0	260	379	0	379		
1,282	513	1,795	934	325	1,259		
185	40	225	11	0	11		
0	0	0	196	159	355		
239	67	306	66	120	186		
(21)	0	(21)	50	0	50		
505	29	534	531	81	612		
210	9	219	244	13	257		
53	(1)	52	46	0	46		
(234)	3	(231)	(216)	0	(216)		
271	81	352	142	184	326		
403	47	450	350	50	400		
(22)	0	(22)	15	38	53		
177	15	192	204	28	232		
107	4	111	125	(3)	122		
496	101	597	349	101	450		
(1,498)	(586)	(2,084)	1,814	(832)	982		
2,030	846	2,876	1,897	837	2,734		
326	151	477	361	65	426		
743	912	1,655	243	1,302	1,545		
540	39	579	525	41	566		
333	(726)	(393)	194	(480)	(286)		
<b>7,643</b>	<b>1,784</b>	<b>9,427</b>	<b>9,747</b>	<b>2,284</b>	<b>12,031</b>		
(15,881)	5,417	(10,464)	(5,310)	(6,912)	(12,222)		
<b>(8,238)</b>	<b>7,201</b>	<b>(1,037)</b>	<b>4,437</b>	<b>(4,628)</b>	<b>(191)</b>		
<b>(6,659)</b>			<b>(14,897)</b>				
(8,238)			4,437				
<b>(14,897)</b>			<b>(10,460)</b>				

## 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.

2020/21				2021/22			
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	88	0	88	0	142	0	142
0	24	2	26	0	46	0	46
118	0	6	124	72	0	(4)	68
0	0	2	2	0	0	(1)	(1)
0	0	0	0	0	0	0	0
286	31	196	513	54	60	211	325
0	40	0	40	0	0	0	0
0	0	0	0	0	159	0	159
0	59	8	67	0	114	6	120
0	41	(12)	29	0	72	9	81
0	7	2	9	0	14	(1)	13
0	0	(1)	(1)	0	0	0	0
0	0	3	3	0	0	0	0
23	22	36	81	19	49	116	184
2	46	(1)	47	1	49	0	50
0	0	0	0	0	23	15	38
0	15	0	15	0	28	0	28
0	0	4	4	0	0	(3)	(3)
0	108	(7)	101	0	101	0	101
(59)	(1,098)	571	(586)	(85)	(1,132)	385	(832)
630	203	13	846	319	527	(9)	837
151	0	0	151	65	0	0	65
912	0	0	912	1,302	0	0	1,302
39	0	0	39	41	0	0	41
(824)	81	17	(726)	(639)	153	6	(480)
<b>1,278</b>	<b>(333)</b>	<b>839</b>	<b>1,784</b>	<b>1,149</b>	<b>405</b>	<b>730</b>	<b>2,284</b>
706	757	3,954	5,417	(1,651)	829	(6,090)	(6,912)
<b>1,984</b>	<b>424</b>	<b>4,793</b>	<b>7,201</b>	<b>(502)</b>	<b>1,234</b>	<b>(5,360)</b>	<b>(4,628)</b>

### 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.

	2020/21 £000	2021/22 £000
Employee Expenses	8,410	9,859
Other Service Expenses	22,387	20,714
Depreciation, Amortisation and Impairment	3,804	3,139
Interest Payments	120	105
Precepts & Levies	1,373	1,386
Derecognition and Disposal Value of Fixed Assets	696	556
<b>Total Expenditure</b>	<b>36,790</b>	<b>35,759</b>
Fees, Charges & Other Service Income	(5,564)	(6,003)
Interest and Investment Income	(718)	(2,478)
Council Tax	(6,873)	(7,130)
Business Rates	(4,120)	(4,533)
Government Grant	(18,778)	(14,024)
Capital Grants and Contributions	(1,774)	(1,782)
<b>Total Income</b>	<b>(37,827)</b>	<b>(35,950)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,037)</b>	<b>(191)</b>

## 1d. Segmental Analysis

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

2020/21 £000	Fees, Charges and Other Income	2021/22 £000
(3)	ICT	(2)
(757)	Property Services	(1,060)
(145)	Benefits	39
0	Revenues	(242)
(373)	Planning Applications	(623)
(78)	Building Control	(41)
(14)	Customer Services	(3)
(5)	Legal Services	(45)
(2)	Electoral Services	(2)
(261)	Licensing and Land Charges	(251)
(103)	Regeneration	(174)
(7)	Communities and Cultural	(3)
0	Housing Strategy	(19)
(84)	Finance and Procurement	0
(906)	Corporate Finance	(36)
(2,258)	Waste Collection	(2,745)
(303)	Street Scene	(375)
(2)	Leisure Services	0
(202)	Horticulture	(326)
(61)	Environmental Health	(95)
<b>(5,564)</b>	<b>Total Analysed on a Segmental Basis</b>	<b>(6,003)</b>

## 1e. Comparative Analysis

During 2021/22 there was a change in the reporting structure, below are the tables that show 2020/21 comparative figures for the CIES.

2020/21			2020/21 - Comparative				2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000		£000	£000	£000
11,946	(11,721)	225	11,839	(11,671)	168	Benefits	10,742	(10,731)	11
0	0	0	347	(237)	110	Revenues	733	(378)	355
88	(110)	(22)	194	(160)	34	Housing Strategy	288	(235)	53
834	(237)	597	488	0	488	Finance and Procurement	450	0	450
<b>12,868</b>	<b>(12,068)</b>	<b>800</b>	<b>12,868</b>	<b>(12,068)</b>	<b>800</b>		<b>12,213</b>	<b>(11,344)</b>	<b>869</b>

## 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.

	2020/21	2021/22
	£	£
Allowances	249,347	249,381
Expenses	1,635	1,864
<b>Total</b>	<b>250,982</b>	<b>251,245</b>

### 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.

2021/22	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
	£	£	£	£	£	£	£
<b>Senior Officer with Salary over £150,000</b>							
Chief Executive Officer	164,430	21,584	186,014	27,295	213,309	125,829	87,480
<b>Senior Officers with Salary over £50,000 to £150,000</b>							
Acting Executive Director & Chief Financial Officer	29,797	251	30,048	4,403	34,451	20,670	13,781
Executive Director & Monitoring Officer	133,982	4,425	138,407	22,229	160,636	96,381	64,255
Audit Services Manager	64,420	6,455	70,875	10,694	81,569	48,941	32,628
Democratic & Community Services Manager*	152,049	401	152,450	4,269	156,719	78,359	78,360
Head of Finance	58,610	963	59,573	9,729	69,302	34,651	34,651
Operations Manager Environment Services (Regulatory)	64,424	5,241	69,665	11,145	80,810	40,405	40,405
Operations Manager Contract Management	64,420	963	65,383	10,694	76,077	41,842	34,235
Head of Revenues & Benefits	58,705	963	59,668	9,745	69,413	38,177	31,236
Head of Communities & Climate Change	52,838	4,556	57,394	8,771	66,165	33,082	33,083
Head of Democratic Services	50,768	6,300	57,068	8,427	65,495	32,747	32,748
	<b>894,443</b>	<b>52,102</b>	<b>946,545</b>	<b>127,401</b>	<b>1,073,946</b>	<b>591,084</b>	<b>482,862</b>

Acting Executive Director & Chief Financial Officer left 4.7.21 this post was covered by agency in the interim to the value of £71,869

Democratic & Community Services Manager left 31.08.21

Head of Communities & Climate Control and Head of Democratic Services were in post on 1.07.21

As can be seen from the tables above, there is a recharge to High Peak BC of £591,082 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 £257,879 as detailed below.

2021/22	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	107,890	963	108,853	14,457	123,310	55,490	67,820
Organisational Development & Transformation Manager	64,420	963	65,383	8,632	74,015	29,606	44,409
Legal & Electoral Services Manager	64,420	963	65,383	8,632	74,015	29,606	44,409
Asset Manager	59,292	963	60,255	7,945	68,200	22,506	45,694
Regeneration Manager	61,856	963	62,819	8,287	71,106	35,553	35,553
Operational Manager - Planning & Building Control	64,420	963	65,383	8,632	74,015	37,008	37,007
Operational Manager - Housing & Benefits	64,420	963	65,383	8,632	74,015	14,803	59,212
Operational Manager - Customer Services	64,420	963	65,383	8,632	74,015	33,307	40,708
	<b>551,138</b>	<b>7,704</b>	<b>558,842</b>	<b>73,849</b>	<b>632,691</b>	<b>257,879</b>	<b>374,812</b>

## 2020/21 Comparatives

2020/21	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 £
<b>Senior Officer with Salary over £150,000</b>							
Chief Executive Officer	164,362	11,603	175,965	27,284	203,249	121,950	81,299
<b>Senior Officers with Salary over £50,000 to £150,000</b>							
Acting Executive Director & Chief Financial Officer	74,958	722	75,680	12,443	88,123	52,874	35,249
Executive Director & Monitoring Officer	130,489	5,609	136,098	21,661	157,759	94,655	63,104
Audit Services Manager	60,812	6,333	67,145	10,095	77,240	46,344	30,896
Democratic & Community Services Manager	60,812	963	61,775	10,095	71,870	35,935	35,935
Finance & Procurement Manager*	17,922	241	18,162	2,975	21,137	10,569	10,568
Operations Manager Environment Services (Regulatory)	60,812	5,241	66,053	10,651	76,704	38,352	38,352
Operations Manager Contract Management	60,812	963	61,775	10,095	71,870	39,528	32,342
	<b>630,979</b>	<b>31,675</b>	<b>662,653</b>	<b>105,299</b>	<b>767,952</b>	<b>440,207</b>	<b>327,745</b>

\*Postholder promoted to Acting Executive Director & Chief Financial Officer in July 2020

Senior Officers with between £50,000 and £150,000 charged from High Peak Borough Council during 2020/21:

2020/21	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	104,278	963	105,241	13,973	119,214	53,646	65,568
Organisational Development & Transformation Manager	60,812	963	61,775	8,149	69,924	27,970	41,954
Legal & Electoral Services Manager	60,812	963	61,775	8,149	69,924	27,970	41,954
Asset Manager	56,102	963	57,065	7,518	64,583	21,312	43,271
Regeneration Manager	58,456	963	59,419	7,833	67,252	33,626	33,626
Operational Manager - Planning & Building Control	60,812	963	61,775	8,149	69,924	34,962	34,962
Operational Manager - Housing & Benefits	60,812	963	61,775	8,149	69,924	13,985	55,939
Operational Manager - Customer Services	60,812	963	61,775	8,149	69,924	31,466	38,458
	<b>522,896</b>	<b>7,704</b>	<b>530,600</b>	<b>70,069</b>	<b>600,669</b>	<b>244,937</b>	<b>355,732</b>

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

The Authority, in conjunction with High Peak BC, entered into a joint Voluntary Redundancy process during 2010/11, whereby the contracts of a number of employees were approved for termination. Although many of those affected left the Authority in

2011/12, a small number of further departures have occurred annually since then. In 2021/22 one senior officer left the authority under the voluntary redundancy scheme, the details of their departure are contained in the table at note 2 above. No departures were approved in 2020/21.

In addition to any in-year costs, a further £463,666 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 2021/22 (Nil in 2020/21). High Peak BC is liable for £138,219 of the future pension costs associated with previous departures as they become payable.

No shared employees left High Peak Borough Council in either 2020/21 or 2021/22; consequently there has been no recharge to Staffordshire Moorlands.

## **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 Crime Commissioner and Staffordshire Fire and Rescue 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 (a wholly owned subsidiary of Cheshire East Council) to create a joint operation called Alliance Environmental Services Limited (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 had a material interest in the Ascent Housing LLP joint venture company from 21<sup>st</sup> September 2010 to 26<sup>th</sup> January 2022 to provide affordable housing across the District. This is described in more detail in note 2e Interests in companies & other entities and joint arrangements.

*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
Cheadle in Bloom	5
Staffordshire North and Stoke-on-Trent Citizens Advice Bureaux	23
Leek Citizens Advice Bureau	20
Biddulph Youth & Community Zone	11

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.

	2020/21	2021/22
	£000	£000
Fees payable to the appointed auditors for external audit services carried out for the year	56	59
Fees payable to the external auditors for the certification of grant claims and returns for the year	11	13
Fees payable in respect of other services provided by the external auditors during the year	10	10
<b>Total</b>	<b>77</b>	<b>82</b>

## 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 £2.896m in 2021/22 (£2.672m in 2020/21). The corresponding income received from HPBC was £3.047m in 2021/22 (£2.722m in 2020/21).

	Paid by SMDC to HPBC	Paid by HPBC to SMDC
	£000	£000
Contribution to Employee Costs	2,475	2,121
Contribution to Other Costs	421	926
<b>Total</b>	<b>2,896</b>	<b>3,047</b>

### **Ascent Housing LLP – (Registered Company No OC358082)**

Ascent Housing LLP was a joint venture between the Council and Your Housing Group Limited. The primary role of the joint venture was to provide affordable housing throughout the Staffordshire Moorlands. The company developed some 290 affordable homes with a mix of affordable rental properties, shared ownership and shared equity models.

The Council had a 49% shareholding in the company and appointed two out of the four executive board directors. The remaining shares were held by Your Housing Group Limited. It was classified as a Joint Venture as the Council and Your Housing Group Limited had contractually agreed to share control, such that decisions about activities that significantly affected returns required unanimous consent, and both had rights to the net assets of the partnership.

On 26<sup>th</sup> January 2022, the Ascent Housing LLP portfolio of properties was sold, and the Council's membership transferred, to Your Housing Limited.

The Council had provided a £14million priority loan (from a £20million facility) to Ascent Housing LLP; and both the Council and Your Housing Group Limited had provided a £5million debenture capital investment. Interest payments received by the Council from Ascent Housing LLP for the year were £341,193 for the loan and £79,781 for the Debenture.

As had been anticipated, the final sale price of Ascent Housing LLP fully redeemed the £14million priority loan; but was insufficient to repay both of the £5million debentures of the Council and Ascent Housing Group Limited in full. The resulting impairment was shared equally between the two parties; the Council received £3,144,500, with the remaining £1,855,500 being the equal share of the impairment. An earmarked reserve of £1,100,000 had been established in previous years to partially offset the anticipated shortfall of this capital receipt. Total lifetime receipts (2012 to 2022) from the loan and debenture, net of borrowing costs and the impairment amount were £1,295,611.

More information on Ascent Housing LLP can be obtained from Your Housing Group Limited, Youggle House, 130 Birchwood Boulevard, Warrington, Cheshire, United Kingdom, WA3 7QH.

**Alliance Environmental Services Ltd - (Registered company number 10760856)**

Alliance Environmental Services Ltd (AES) is a company created 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, Environmental Hub C/o Ansa Environmental Services Limited, Cledford Lane, Middlewich, Cheshire, England, CW10 0JR.

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, which is held on the company's balance sheet in reserves. During the year AES has provided services in proportion of 50% to Staffordshire Moorlands District Council and 50% to High Peak Borough Council. These proportions are shown in the tables below and are consolidated into the respective Councils' financial statements.

2020/21 Restated	Council share of AES Income and Expenditure Statement	2021/22
£000		£000
(5,483)	Turnover	(5,782)
4,610	Cost of Sales	4,471
<b>(873)</b>	<b>Gross Profit</b>	<b>(1,311)</b>
724	Administrative Expenses	1,261
<b>(149)</b>	<b>Profit from Operating Activities</b>	<b>(50)</b>
2	Finance Costs	1
1	Corporation Tax Expense/ (Refund)	9
<b>(146)</b>	<b>(Profit)/Loss for Year</b>	<b>(40)</b>

31 March 2021 Restated	Council share of AES Balance Sheet	31 March 2022
£'000		£'000
20	Fixed Assets	0
932	Current Assets	1,387
<b>952</b>	<b>TOTAL ASSETS</b>	<b>1,387</b>
(739)	Current Liabilities	(1,134)
0	Long Term Liabilities	0
<b>(739)</b>	<b>TOTAL LIABILITIES</b>	<b>(1,134)</b>
<b>213</b>	<b>TOTAL NET ASSETS</b>	<b>253</b>
	<u>Capital and Reserves</u>	
213	Retained Earnings	253
<b>213</b>	<b>TOTAL RESERVES</b>	<b>253</b>

### 3. Corporate Income and Expenditure

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

- Other Operating Expenditure
- Financing & Investment Income & Expenditure
- Taxation and non-specific grant income
- Grant income
- Grant income – Authority as an Agent

#### 3a. Other Operating Expenditure

2020/21		2021/22
£000		£000
1,373	Parish Council Precepts	1,386
0	Capital Receipts	(17,222)
696	Derecognition and Disposal Value of Fixed Assets	17,778
<b>2,069</b>	<b>Total</b>	<b>1,942</b>

### 3b. *Financing and Investment Income and Expenditure*

2020/21		2021/22
£000		£000
120	Interest payable and similar charges	103
757	Pensions interest cost and expected return on pensions assets	829
(718)	Interest receivable and similar income*	(2,478)
(181)	Income and expenditure in relation to investment properties and changes in their fair value	(568)
700	Impairment of Financial Instrument	468
<b>678</b>	<b>Total</b>	<b>(1,646)</b>

\* includes £1.893m from notional soft loan interest on the early redemption of the Ascent Debenture

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

2020/21		2021/22
£000		£000
(6,874)	Council Tax Income	(7,130)
1,949	Retained Business Rates	(1,425)
(8,286)	Non Ringfenced Government Grants	(3,955)
0	Capital Grants and Contributions	(8)
<b>(13,211)</b>	<b>Total</b>	<b>(12,518)</b>

### 3d. *Grant Income*

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21		2021/22
£000		£000
	<b>Non Ringfenced Government Grants</b>	
(2,217)	Central Government Support Grants	(825)
(6,069)	Business Rates Grants	(3,130)
<b>(8,286)</b>		<b>(3,955)</b>
	<b>Capital Grants and Contributions</b>	
0	Capital Grants	(8)
<b>0</b>		<b>(8)</b>
	<b>Capital Grants Applied to CIES</b>	
(1,774)	Disabled Facilities Grant	(1,774)
<b>(1,774)</b>		<b>(1,774)</b>
	<b>Credited to Services</b>	
(11,334)	Housing Benefit Subsidy	(10,664)
(4,666)	Central Government Support to Businesses and Residents	(1,801)
(378)	New Burdens Grants	(361)
(183)	Other Third Party Funds	(352)
<b>(16,561)</b>		<b>(13,178)</b>
<b>(18,335)</b>	<b>Total</b>	<b>(14,952)</b>

### 3e. Grant Income: Authority as an Agent

During 2021/22 the Council again administered significant grant schemes both in value and number on behalf of Central Government in response to support local businesses and residents. The eligibility criteria for some of these schemes were prescribed by Central Government as to who was eligible and the value of grants which could be awarded. Therefore under accounting practice, the Council has acted as an Agent in delivering these grant schemes, rather than a Principal where the Council has a degree of control or discretion in grant awards.

Where the Council acted as a Principal in delivering grants, associated income and expenditure is included in the Comprehensive Income & Expenditure Statement – note 3d above refers to these grants.

Where the Council acted as an Agent in delivering grants, the balance of any funding received to deliver these grants is included in the Balance Sheet as a Creditor where there are future grants to be awarded or surplus funding to be returned to Central Government upon closure of the grant scheme. These grants are summarised below:

Grants - Authority as Agent	1st April 2021 Debtor/ (Creditors) Balance brought forward	2021/22 Grant Awards/ (Repayments)	2021/22 Funding Movement (Receipts)/ Repayments	31st March 2022 Debtor/ (Creditors) Balance Carried Forward
	£'000	£'000	£'000	£'000
Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLCF)	4	(25)	0	(21)
Local Restrictions Support Grant (LRSRG) Closed (inc Sect)	(1,988)	(33)	2,021	0
Christmas Support Payment (CSP) Wet Led	(8)	(1)	8	(1)
Closed Business Lockdown Payment (CBLP)	(1,336)	(10)	1,346	0
Restart Grant	0	6,771	(6,771)	0
Omicron Hospitality & Leisure Grant	0	985	(1,818)	(833)
Council Tax Energy Rebate	0	0	(5,412)	(5,412)
Covid 19 Isolation Scheme	(85)	141	(112)	(56)
Leisure Recovery Fund	(76)	76	0	0
	<b>(3,489)</b>	<b>7,904</b>	<b>(10,738)</b>	<b>(6,323)</b>

#### **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, 1 Staffordshire Place, Tipping Street, Stafford ST16 2DH or via the Fund's website ([www.staffspf.org.uk](http://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 1<sup>st</sup> 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:

	2020/21	2021/22
<b>Comprehensive Income and Expenditure Statement:</b>	<b>£000</b>	<b>£000</b>
Current service cost	(1,475)	(2,303)
Past service cost (including curtailments)	0	(67)
<i>Net Interest</i>		
Interest cost on defined benefit obligation	(2,020)	(2,224)
Interest income on plan assets	1,263	1,395
<b>Total post employment benefit charged to the Surplus or Deficit on the provision of services</b>	<b>(2,232)</b>	<b>(3,199)</b>
<i>Remeasurements</i>		
Changes in demographic assumptions	(1,240)	584
Changes in financial assumptions	(21,660)	7,067
Other experience	942	(171)
Return on assets excluding amounts included in net interest	13,661	7,085
<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(10,529)</b>	<b>11,366</b>
<i>Movement in Reserve Statement</i>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	2,232	3,199
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers contributions payable to the scheme	<b>3,891</b>	<b>989</b>

The Comprehensive Income & Expenditure Statement shows the net cost of the defined pension benefit liability as being £14,565,000. 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	2021/22	
	£000	£000
CIES Remeasurement of net defined benefit liability		14,565
Pensions - Total post employment benefit charged to services (above)	(3,199)	
Pensions - Total post employment benefit charged to CI&E (above)	(11,366)	(14,565)
<b>Difference on CIES compared with Note 4</b>		<b>0</b>
<u>Employer Contributions to Fund:</u>		
Actuarial estimate for IAS19 purposes		989
Actual contributions accounted for in 2021/22	1,965	
less 'prepaid' lump sum deficit payment	(976)	
		989
<b>Difference on Estimation</b>		<b>0</b>

#### 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-21 £000	31-March-22 £000
Estimated Assets in the Scheme	70,557	77,528
Estimated Liabilities in the Scheme	(111,322)	(105,938)
<b>Net defined benefit obligation asset/ (Liability)</b>	<b>(40,765)</b>	<b>(28,410)</b>

Comparison with Pension Reserve:

Pension Reserve (Note 12d)	(42,796)	(29,465)
<b>Difference</b>	<b>(2,031)</b>	<b>(1,055)</b>

The £12.355 million decrease in the net liability reflects that the return on Corporate Bonds, used as an integral measure in the Actuary's valuation, had increased by 0.7% at the Balance Sheet date. 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 2021 £000	31st March 2022 £000
<b>Opening defined benefit obligation</b>	<b>88,408</b>	<b>111,322</b>
Current service cost	1,475	2,303
Interest cost on defined benefit obligation	2,020	2,224
Contributions by scheme participants	296	318
Changes in demographic assumptions	1,240	(584)
Changes in financial assumptions	21,660	(7,067)
Other experience	(942)	171
Benefits paid	(2,713)	(2,697)
Effect of settlements	0	67
Unfunded benefits paid	(122)	(119)
<b>Closing Balance at 31 March</b>	<b>111,322</b>	<b>105,938</b>

**Reconciliation of Fair Value of Employer Assets:**

Year Ended	31st March 2021 £000	31st March 2022 £000
<b>Opening fair value of employer assets</b>	<b>54,281</b>	<b>70,557</b>
Interest on plan assets	1,263	1,395
Remeasurements	13,661	7,085
Contributions by the employer	3,769	870
Contributions by plan participants	296	318
Benefits paid	(2,713)	(2,697)
Unfunded benefits paid	(122)	(119)
Contributions in respect of unfunded benefits	122	119
<b>Closing fair value of employer assets</b>	<b>70,557</b>	<b>77,528</b>

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

Profile of Liabilities	Liability split
Active members	42.50%
Deferred members	23.10%
Pensioner members	34.40%
<b>Total</b>	<b>100.0%</b>

#### 4d. Scheme History

Year Ended	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
	£000	£000	£000	£000	£000
Estimated Assets in the Scheme	55,849	58,947	54,281	70,557	77,528
Estimated Liabilities in the Scheme	(92,415)	(102,127)	(88,408)	(111,322)	(105,938)
<b>Surplus/ (Deficit)</b>	<b>(36,566)</b>	<b>(43,180)</b>	<b>(34,127)</b>	<b>(40,765)</b>	<b>(28,410)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £28.41m 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 £20.88 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 £761,000 will be made to the Fund in 2021/22.

#### 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 31<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

#### Financial Assumptions

Assumptions as at	31st March 2021 (% per annum)	31 <sup>st</sup> March 2022 (% per annum)
Pension Increase Rate	2.85%	3.20%
Salary Increase Rate	3.25%	3.60%
Discount Rate	2.00%	2.70%

#### Mortality

Longevity beyond age 65	31st March 2021		31st March 2022	
	Males	Females	Males	Females
Current Pensioners	21.4 years	24.0 years	21.2 years	23.8 years
Future Pensioners	22.5 years	25.7 years	22.2 years	25.5 years

## Commutation

An allowance is included for 50% (50% in 2020/21) 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	31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022	
	Fund Value £000	Asset Distribution %	Fund Value £000	Asset Distribution %
<b>Equity Securities</b>				
Consumer	2,744	4	2,610	3
Manufacturing	2,945	4	2,130	3
Energy & Utilities	780	1	585	1
Financial Institutions	2,490	4	2,778	4
Health & Care	1,774	2	2,934	4
Information Technology	3,019	4	3,374	4
Other	76	0	0	0
<b>Debt Securities</b>				
Corporate Bonds (investment grade)	4,873	7	4,554	6
<b>Private Equity</b>				
All *	3,057	4	3,841	5
<b>Real Estate</b>				
UK Property *	5,404	8	6,209	8
<b>Investment Funds and Unit Trusts</b>				
Equities	33,896	48	36,828	47
Bonds	4,696	7	4,852	6
Hedge Funds *	267	0	29	0
Infrastructure	29	0	207	0
Other *	3,357	5	3,558	5
<b>Cash and Cash Equivalents</b>				
All	1,150	2	3,039	4
<b>Totals</b>	<b>70,557</b>	<b>100</b>	<b>77,528</b>	<b>100</b>

\* 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 31/3/22	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2.0%	1,935
1 year increase in member life expectancy	4.0%	4,238
0.1% increase in the Salary Increase Rate	0.0%	205
0.1% Increase in the Pension Increase Rate	2.0%	1,714

#### ***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. The Actuary reflected the estimated costs of this in the IAS19 report used to prepare the 2019/20 Statements. As no further progress has been made on the McCloud remedy, this element of the pension cost is unchanged and is reflected on that basis in this year's accounts.

Guaranteed minimum pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The introduction of the new Single State Pension in April 2016 brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. The responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes with the effect of increasing costs for LGPS employers. The actuary made allowance for this in the pension costs included in 2019/20 statements. No change has been made to this position for 2021/22 and these costs remain in the Pension figures.

## 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.

2021/22	General Fund Balance £000	Earmarked Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Depreciation	(1,453)	0	0	0	1,453
Impairment / Revaluation losses charged to CIES	(720)	0	0	0	720
Movements in the fair value of Investment Properties	252	0	0	0	(252)
Amortisation of intangible assets	(31)	0	0	0	31
Revenue expenditure funded from capital under statute	(1,273)	0	0	0	1,273
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(499)	0	0	0	499
Derecognition of capital loan service investment-housing to the CIES	(17,280)	0	0	0	17,280
Reversal of items relating to retirement benefits	(3,199)	0	0	0	3,199
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	86	0	0	0	(86)
Capital Grants and contributions applied credited to the CIES	1,137	0	0	0	(1,137)
Capital Grants and contributions unapplied credited to the CIES	645	0	0	(645)	0
Employers contribution to pension schemes	1,965	0	0	0	(1,965)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)	0	0	0	2	(2)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	17,222	0	(17,222)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	17,222	0	(17,222)
Use of Earmarked Capital Reserve to finance new capital expenditure	0	2,415	0	0	(2,415)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,964	0	0	0	(1,964)
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	3,400	0	0	0	(3,400)
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	(3)	0	0	0	3
<b>Total Adjustments</b>	<b>2,213</b>	<b>2,415</b>	<b>0</b>	<b>(643)</b>	<b>(3,985)</b>

2020/21 Comparative Figures	General Fund	Earmarked	Capital Receipts	Capital Grants	Movement in
	Balance	Reserve	Reserve	Unapplied	
	£000	£000	£000	£000	Reserves
					£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Depreciation	(1,910)	0	0	0	1,910
Impairment / Revaluation losses charged to CIES	(907)	0	0	0	907
Movements in the fair value of Investment Properties	(51)	0	0	0	51
Amortisation of intangible assets	(27)	0	0	0	27
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	(696)	0	0	0	696
Reversal of items relating to retirement benefits	(2,232)	0	0	0	2,232
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	59	0	0	0	(59)
Capital Grants and contributions applied credited to the CIES	937	0	0	0	(937)
Capital Grants and contributions unapplied credited to the CIES	837	0	0	(837)	0
Employers contribution to pension schemes	1,807	0	0	0	(1,807)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)	0	0	0	13	(13)
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	94	0	(94)
Use of Earmarked Capital Reserve to finance new capital expenditure	0	741	0	0	(741)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	66	0	0	0	(66)
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	(4,784)	0	0	0	4,784
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	(75)	0	0	0	75
<b>Total Adjustments</b>	<b>(7,707)</b>	<b>741</b>	<b>94</b>	<b>(824)</b>	<b>7,696</b>

## 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 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 2021/22	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
<b>Cost or Valuation</b>							
<b>At April 2021</b>	<b>25,135</b>	<b>8,036</b>	<b>42</b>	<b>925</b>	<b>408</b>	<b>549</b>	<b>35,095</b>
Additions	438	1,175	0	69	0	22	1,704
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	1,266	0	0	0	0	0	1,266
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(465)	0	0	0	12	0	(453)
Derecognition - Disposals	0	(964)	0	0	(135)	0	(1,099)
Derecognition - Other	(499)	(110)	0	0	0	0	(609)
Other movements in Cost or Valuation	60	107	0	0	0	(186)	(19)
<b>At 31 March 2022</b>	<b>25,935</b>	<b>8,244</b>	<b>42</b>	<b>994</b>	<b>285</b>	<b>385</b>	<b>35,885</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At April 2021</b>	<b>(195)</b>	<b>(5,172)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(5,370)</b>
Depreciation Charge	(994)	(459)	0	0	0	0	(1,453)
Depreciation written out to the Revaluation Reserve	752	0	0	0	0	0	752
Depreciation written out to the Surplus/Deficit on the Provision of Services	201	0	0	0	0	0	201
Derecognition - Disposals	0	964	0	0	0	0	964
Derecognition - Other**	0	110	0	0	0	0	110
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0
<b>At 31 March 2022</b>	<b>(236)</b>	<b>(4,557)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(4,796)</b>
<b>Net Book Value</b>							
<b>at 31st March 2022</b>	<b>25,699</b>	<b>3,687</b>	<b>42</b>	<b>994</b>	<b>282</b>	<b>385</b>	<b>31,089</b>
<b>at 31st March 2021</b>	<b>24,940</b>	<b>2,864</b>	<b>42</b>	<b>925</b>	<b>405</b>	<b>549</b>	<b>29,725</b>

The Property, Plant & Equipment 2020/21 comparative figures are illustrated below:

Movements in 2020/21	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
<b>Cost or Valuation</b>							
<b>At April 2020</b>	<b>25,558</b>	<b>8,433</b>	<b>42</b>	<b>925</b>	<b>408</b>	<b>379</b>	<b>35,745</b>
Additions	661	1,161	0	0	0	205	2,027
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	9	0	0	0	0	0	9
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(432)	0	0	0	0	0	(432)
Derecognition - Disposals	0	(1,352)	0	0	0	0	(1,352)
Derecognition - Other	(696)	(178)	0	0	0	0	(874)
Other movements in Cost or Valuation	35	(28)	0	0	0	(35)	(28)
<b>At 31 March 2021</b>	<b>25,135</b>	<b>8,036</b>	<b>42</b>	<b>925</b>	<b>408</b>	<b>549</b>	<b>35,095</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At April 2020</b>	<b>(107)</b>	<b>(5,796)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(5,906)</b>
Depreciation Charge	(1,004)	(906)	0	0	0	0	(1,910)
Depreciation written out to the Revaluation Reserve	224	0	0	0	0	0	224
Depreciation written out to the Surplus/Deficit on the Provision of Services	692	0	0	0	0	0	692
Derecognition - Disposals	0	1,352	0	0	0	0	1,352
Derecognition - Other	0	178	0	0	0	0	178
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(195)</b>	<b>(5,172)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(5,370)</b>
<b>Net Book Value</b>							
<b>at 31st March 2021</b>	<b>24,940</b>	<b>2,864</b>	<b>42</b>	<b>925</b>	<b>405</b>	<b>549</b>	<b>29,725</b>
<b>at 31st March 2020*</b>	<b>25,451</b>	<b>2,637</b>	<b>42</b>	<b>925</b>	<b>405</b>	<b>379</b>	<b>29,839</b>

\*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.

## Depreciation

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

- Other Land & Buildings - Up to 60 years
- Vehicles, Plant, Furniture & Equipment - 3 to 25 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:

	2020/21	2021/22
	£000	£000
Rental income from investment property	(258)	(342)
Direct operating expenses arising from investment	26	26
<b>Net (gain)/loss</b>	<b>(232)</b>	<b>(316)</b>

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

	2020/21	2021/22
	£000	£000
<b>Balance at start of the year</b>	<b>3,880</b>	<b>3,829</b>
Net gain /(loss) from fair value adjustments	(51)	252
<b>Balance at end of year</b>	<b>3,829</b>	<b>4,081</b>

### 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 2021/22 the valuer carried out a desk top review of all investment properties.

### 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 2022	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
Land	£'000s 1,257	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c. £2.50 to £8.30 per sqft. Investment Yields c.5% -14.2% for buildings and land	Significant changes to the individual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Building	2,824				

## 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 2022 was £19.1m. 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. As a result of this year's review following advice from the external valuers, five free car parks, no longer fall within the de minimis criteria; they have been revalued based on potential income which would be generated if there was a policy change and charges were implemented. This change resulted in an overall £0.2m increase to the value of Land & Buildings.

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 31<sup>st</sup> March 2022.

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, individual valuations and annual assessment for "indications" of impairment have been undertaken by Chris Wilkinson MRICS, Senior Property Surveyor & RICS Registered Valuer and David Gray MRICS, Senior Valuation Surveyor & RICS Registered Valuer with support from Andrew Higson MRICS, Director of Real Estate Capita PLC. 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 2022	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
	£'000s				
Land	219	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental rate range c. £24,100 - £270,000 per ha and £7.50 per sqft	Significant changes to the individual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Building	66				

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 31<sup>st</sup> March 2022.

	Other Land & Buildings	Vehicles, Plant, Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at Historic cost		8,244	42	994		385	9,665
Valued at Current Value as at:							
31 March 2022	22,489				285		22,774
31 March 2021	111						111
31 March 2020	1,243						1,243
31 March 2019	1,520						1,520
31 March 2018	572						572
<b>Total</b>	<b>25,935</b>	<b>8,244</b>	<b>42</b>	<b>994</b>	<b>285</b>	<b>385</b>	<b>35,885</b>

## 6e. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year was £13,050,000. 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.

Following the sale of Ascent Housing LLP as described in note 2e, £17.1million was received for redemption of the loan and debenture. These capital receipts were applied to the funding of capital expenditure and consequently reduced the Capital Financing Requirement. A new Capital Service Loan - Housing of £10million was made to Your Housing Limited.

	2020/21 £000	2021/22 £000
<b>Opening Capital Financing Requirement</b>	<b>16,830</b>	<b>18,084</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	2,027	1,704
Investment Properties	0	0
Intangible Assets	103	73
Revenue Expenditure Funded from Capital under Statute	967	1,273
Capital Service Loan - Housing (Long Term Debtor)	0	10,000
	<b>3,097</b>	<b>13,050</b>
<b>Sources of Finance</b>		
Capital Receipts	(94)	(17,222)
Government grant and other contributions	(949)	(1,139)
Sums set aside from Revenue:		
Capital Reserves	(741)	(2,415)
MRP/ Loans Fund principal	(59)	(86)
	<b>(1,843)</b>	<b>(20,862)</b>
<b>Closing Capital Financing requirements</b>	<b>18,084</b>	<b>10,272</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	1,313	(7,726)
Minimum Revenue Provision	(59)	(86)
<b>Increase /(Decrease) in Capital Financing Requirement</b>	<b>1,254</b>	<b>(7,812)</b>
<i>Net capital investment in year excluding finance leases added to Balance Sheet</i>	<i>3,097</i>	<i>13,050</i>

### 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 2021/22 the Council made MRP of £86,000.

### 6f. Information on Assets Held

The main assets held by the Council are:

31 <sup>st</sup> March 2021 No.		31 <sup>st</sup> March 2022 No.
3	Town Halls and Council Offices	3
3	Markets	3
2	Industrial Estates	2
13	Public Conveniences	13
1	Depots	1
3	Leisure Centres	3
2	Cemeteries	2
1	Museums	1
<b>28</b>	<b>Total</b>	<b>28</b>

## 6g. Construction Contracts and Capital Commitments

At 31 March 2022, the Council has entered into contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £0.3m. Similar commitments at 31 March 2021 were £1.8m. The major commitments are:

Scheme	Estimated Values £000	Period Investment will Take Place
Fleet Management	316	2022/23

## Capital Service Loan – Housing

At 31<sup>st</sup> March 2022, the Council has a £10million Capital Housing Loan to Your Housing Limited. As part of the agreement, there is an optional further facility of up to a £10m to be drawn by 31<sup>st</sup> March 2023.

## 6h. 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 2021/22 totalled £0.457m (£0.427m in 2020/21).

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

	31 March 2021 £000	31 March 2022 £000
Not later than one year	149	145
Later than one year and not later than five years	236	273
Later than five years	340	349
	<b>725</b>	<b>767</b>

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 2021 £000	31 March 2022 £000
Bank Current Accounts	4,592	4,519
Money Market Funds	6,900	8,502
Short-Term Deposits	1,000	1,002
<b>Cash and Cash Equivalents Current Assets</b>	<b>12,492</b>	<b>14,023</b>
Bank Overdraft	(540)	0
<b>Total Cash and Cash Equivalents</b>	<b>11,952</b>	<b>14,023</b>

## 8. Debtors

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

	31 March 2021	31 March 2022
	£000	£000
Central Government bodies	5,283	529
Other Local Authorities	1,885	1,177
Other entities and individuals	16,929	3,178
LESS Impairment Allowances	(841)	(806)
<b>Total Short Term Debtors</b>	<b>23,256</b>	<b>4,078</b>

An analysis of the impairment allowances by class of debtor being:

	31 March 2021	31 March 2022
	£000	£000
Non Domestic Rates Payers	(254)	(121)
Community Charge Payers	(49)	(49)
Council Tax Payers	(193)	(199)
Housing Benefits	(279)	(402)
General Fund Services	(66)	(35)
<b>Total Impairment Allowances</b>	<b>(841)</b>	<b>(806)</b>

### Long Term Debtors

Debtors due over a period of longer than twelve months are classified as long-term debtors on the balance sheet. At 31<sup>st</sup> March 2022 these consist of the £10million Capital Loan – Service Investment (Housing) to Your Housing Limited; and local loans.

The purpose of the £10million loan to Your Housing Limited is to support the maintenance of and provision of affordable housing within the Staffordshire Moorlands District. The loan has a maturity period of 10 years, repayable in February 2032; and is charged interest at a fixed rate of 3.07% (made up of the Public Works Loan Board Fixed Maturity Standard Rate on the day of drawdown 2.27% plus a premium of 0.80%), and is payable semi-annually. Under the Financial Covenants of the agreement, the value of the loan is secured fully against the borrower's Charged Properties and the Council is assured that the ratio of EBITDA (Earnings before interest, taxes, depreciated and amortisation) to Net Interest Payable in the borrower's accounts in respect of each financial year is not less than 1.1:1.

Balances at the end of the year were as follows:

	31 March 2021	31 March 2022
	£000	£000
Ascent Debenture	1,648	0
Capital Loan ( Service Investment Housing) to Your Housing Limited	0	10,048
Local Loans	6	5
<b>Long Term Debtors</b>	<b>1,654</b>	<b>10,053</b>

## 9. Creditors

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

	31 March 2021	31 March 2022
	£000	£000
Central Government bodies	(10,678)	(10,752)
Other Local Authorities	(2,089)	(2,792)
Other entities and individuals	(2,458)	(2,544)
<b>Short Term Creditors</b>	<b>(15,225)</b>	<b>(16,088)</b>

## 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. The liability is shared with all Preceptors in the same proportions as retained Business Rates (50% central government, 40% billing authority (the Council), 9% Staffordshire County Council, 1% Staffordshire Fire & Rescue Service).

NNDR Appeals Provision (Billing Authority Share)	31-Mar-21 £'000	31-Mar-22 £'000
<b>Provision Brought Forward</b>	<b>(1,419)</b>	<b>(1,120)</b>
Charges to provision during the year	300	744
(Increase)/ decrease in provision	(1)	(120)
<b>NNDR Appeals Provision Carried Forward</b>	<b>(1,120)</b>	<b>(496)</b>

## 11. Usable Reserves

This note sets out the amounts included in Usable Reserves.

	Balance at 1 April 2020 £000	Transfers out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
<b>General Fund Contingency Reserve</b>	2,419	(4,522)	6,190	4,087	(1,624)	1,226	3,689
<b>Business Rates (S31) Earmarked</b>	0	0	4,522	4,522	(4,522)	907	907
<b>Covid-19 Business Support</b>	0	0	1,183	1,183	(919)	0	264
<b>General Fund Earmarked Reserve:</b>							
Reserves for Capital schemes	400	(400)	0	0	0	0	0
Levelling Up	0	0	0	0	0	600	600
Covid 19	500	0	100	600	0	0	600
Ascent Housing Review	600	0	500	1,100	(1,100)	0	0
Section 106 Commuted Sums	46	(7)	0	39	(8)	0	31
Business Rates Pool Contingency Fund	0	0	218	218	0	0	218
Insurance Fund	339	0	0	339	0	0	339
Local Development Framework	40	0	0	40	0	60	100
Economic Regeneration Reserve	0	0	545	545	0	0	545
Future Leisure Provision	170	(44)	100	226	(3)	77	300
Efficiency & Rationalisation Reserve	493	(1)	0	492	0	0	492
Voluntary Sector Emergency Reserve	0	0	75	75	0	0	75
Pension Reserve	450	(450)	0	0	0	0	0
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	100	(25)	150	225	0	225	450
Organisational Development HR Reserve	0	0	50	50	0	0	50
Inflationary Pressures	0	0	0	0	0	250	250
Elections Reserve	63	0	40	103	0	40	143
Market Logistics Support	40	(40)	0	0	0	0	0
Climate Change	25	0	100	125	(28)	153	250
AES Vehicle Maintenance	0	0	52	52	0	0	52
Unused Third Party Funds	740	(97)	0	643	0	229	872
<b>Total Earmarked Reserves</b>	<b>4,239</b>	<b>(1,064)</b>	<b>1,930</b>	<b>5,105</b>	<b>(1,139)</b>	<b>1,634</b>	<b>5,600</b>
<b>Capital Reserves</b>							
Usable Capital Receipts Reserve	98	(94)	0	4	(17,222)	17,222	4
Capital Grants Unapplied	3,206	0	824	4,030	0	643	4,673
<b>Total Capital Reserves</b>	<b>3,304</b>	<b>(94)</b>	<b>824</b>	<b>4,034</b>	<b>(17,222)</b>	<b>17,865</b>	<b>4,677</b>
<b>Total Usable Reserves</b>	<b>9,962</b>	<b>(5,680)</b>	<b>14,649</b>	<b>18,931</b>	<b>(25,426)</b>	<b>21,632</b>	<b>15,137</b>

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
Business Rates Pool (S31) Earmarked	Where central government compensates local authorities for the cost of business rates reliefs, including those to the retail, hospitality and leisure industry, the grant to local authorities is recorded in year in the general fund, whereas the relief awarded impacts on the collection fund deficit to be distributed in future year where reliefs were not anticipating at the point of budget setting. In this situation grant funds are put aside from the general fund at the end of the year to be drawn down in future years to offset the impact of the collection fund deficit distribution
Covid-19 Business Support	Balance of unused Discretionary Grant funding
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)	<p>These are revenue reserves established on a short term basis to provide funds for Council initiatives in the following areas:</p> <ul style="list-style-type: none"> <li>- support the districts bids for Central Government Levelling</li> <li>- supporting future leisure development and provision</li> <li>- support economic regeneration</li> <li>- business rates contingency</li> <li>- to support future new vehicles as the fleet ages</li> <li>- funds to support the Council with the impact of COVID 19 and delivery of the recovery programme</li> <li>- to cover costs associated with the review of the Ascent Housing LLP in partnership with Your Housing</li> <li>- towards future pension liabilities</li> <li>- to dampen impact of fuel price variations or short term vehicle hire</li> <li>- against potential planning appeal costs</li> <li>- implementation of the IT strategy</li> <li>- to cover potential costs of localising Council Tax benefit</li> <li>- local development framework and the implementation of the local plan</li> <li>- support with the interim markets logistical arrangements</li> <li>- to support partner organisations in financial difficulty</li> <li>- support with the delivery of climate change related projects</li> <li>- to support with costs associated with Organisational Development and the HR process</li> <li>- to enable the efficiency programme to be delivered</li> <li>- to help meet inflationary pressures</li> <li>- to spread the costs of elections over a full term</li> <li>- to fund a review of the condition of the Council's buildings to inform capital expenditure requirements</li> </ul>

## 12. Unusable Reserves

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

31 March 2021 £000		Note	31 March 2022 £000
12,237	Revaluation Reserve	12a	13,656
21,597	Capital Adjustment Account	12b	22,055
(1,964)	Financial Instruments Adjustment Account	12c	0
(42,796)	Pensions Reserve	12d	(29,465)
(3,974)	Collection Fund Adjustment Account	12e	(574)
(155)	Accumulated Absences Account		(159)
<b>(15,055)</b>	<b>Total Unusable Reserves</b>		<b>5,513</b>

### 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.

2020/21 £000	Revaluation Reserve	2021/22 £000
12,021	<b>Balance at 1 April</b>	12,237
1,205	Upward revaluations of assets	2,357
(492)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(339)
<b>713</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>2,018</b>
(497)	Difference between fair value depreciation and historical cost depreciation	(599)
(497)	Amount written off to the Capital Adjustment Account	(599)
<b>12,237</b>	<b>Balance at 31 March</b>	<b>13,656</b>

### 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.

2020/21 £000	Capital Adjustment Account	2021/22 £000
23,814	<b>Balance at 1 April</b>	<b>21,597</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the CIES</i>	
(1,910)	• Charges for depreciation of non current assets	(1,453)
(207)	• Impairment Revaluation Losses	(354)
(700)	• Impairment Debenture	(468)
0	• Impairment written back revaluation gain	102
(27)	• Amortisation of intangible assets	(31)
(967)	• Revenue expenditure funded from capital under statute	(1,273)
(696)	• Derecognition of non current assets part of the gain/loss	(499)
0	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(17,280)
(4,507)		(21,256)
497	Adjusting amounts written out of the Revaluation Reserve	599
<b>(4,010)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(20,657)</b>
	<i>Capital financing applied in the year:</i>	
94	• Use of capital Receipts Reserve to finance new capital expenditure	17,222
937	• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,137
13	• Applications of grants to capital financing from the Capital Grant Unapplied Account	3
59	• Statutory provision for the financing of capital investment charged	86
741	• Use of Earmarked Capital Reserve to finance new capital expenditure	2,415
<b>1,844</b>		<b>20,863</b>
(51)	Movements in the market value of Investment Properties debited or credited to the CIES	252
<b>21,597</b>	<b>Balance at 31 March</b>	<b>22,055</b>

## 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 account is used to recognise the accounting loss on material soft loans issued. 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. As described in note 2e, the debenture to Ascent Housing LLP, which was treated as a soft loan, was redeemed upon sale of the company in January 2022. Therefore the remaining balance in the FIAA has been reduced to zero.

2020/21 £000	Financial Instruments Adjustment Account	2021/22 £000
(2,030)	Balance at 1 April	(1,964)
66	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,964
(1,964)	Balance at 31 March	0

## 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.

2020/21 £000	Pension Reserve	2021/22 £000
(34,127)	Balance at 1 April	(42,796)
(8,244)	Remeasurement of the net defined benefit liability	14,565
(2,232)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,199)
1,807	Employer's pensions contributions and direct payments to pensioners payable in the year	1,965
(42,796)	Balance at 31 March	(29,465)

## 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.

During 2020/21 the government extended business rates relief to retail, hospitality and leisure business and nurseries. These extended reliefs had the effect of creating a significantly larger deficit in the Collection Fund for 2020/21, which was distributed in 2021/22 onwards. The unanticipated extension of reliefs continued during 2021/22, but to a lesser extent. The government compensates local authorities for these extended reliefs with s31 grants during the year of award. The funds are held in an earmarked

reserve at the end of each year to fund the distribution of the deficit on the collection fund in the following year (£906,580 2021/22, £4.5million 2020/21).

2020/21		2021/22
£000	<b>Collection Fund Adjustment Account</b>	£000
810	<b>Balance at 1 April</b>	<b>(3,974)</b>
(4,784)	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	3,400
<b>(3,974)</b>	<b>Balance at 31 March</b>	<b>(574)</b>

### 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 fair value through profit and loss and 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.

	Non-Current		Current		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022
	£000	£000	£000	£000	£000	£000
<b>Financial Assets carried at Fair Value through Profit and Loss</b>						
Money Market Funds	0	0	6,900	8,501	6,900	8,501
<b>Financial Assets carried at Amortised Cost</b>						
Cash Deposits	0	0	5,592	5,522	5,592	5,522
Fixed term deposits	0	0	4,913	14,544	4,913	14,544
Debtors						
Trade* & Long Term Debtors	1,655	10,053	16,112	2,556	17,767	12,609
<b>Total Financial Assets</b>	<b>1,655</b>	<b>10,053</b>	<b>33,517</b>	<b>31,123</b>	<b>35,172</b>	<b>41,176</b>

	Non-Current		Current		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022
	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities carried at Amortised Cost</b>						
Borrowings						
Fixed term Borrowing	(8,051)	(7,604)	(7,007)	(5,065)	(15,058)	(12,669)
Bank Overdraft	0	0	(540)	0	(540)	0
Creditors						
Trade Creditors*	0	0	(2,888)	(2,498)	(2,888)	(2,498)
<b>Sub Total</b>	<b>(8,051)</b>	<b>(7,604)</b>	<b>(10,435)</b>	<b>(7,563)</b>	<b>(18,486)</b>	<b>(15,167)</b>
Other Liabilities	0	0	(24)	0	(24)	0
<b>Total</b>	<b>(8,051)</b>	<b>(7,604)</b>	<b>(10,459)</b>	<b>(7,563)</b>	<b>(18,510)</b>	<b>(15,167)</b>

\* Trade Debtors / Creditors vary from the Balance Sheet values as statutory debtors of £2.329m (£7.985m 20/21), the bad debt provision of £0.807m (£0.841m 20/21); and statutory creditors of £13.589m (£12.313m 20/21) are excluded.

### **Reclassification**

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

### **Fair Value**

Basis for recurring fair value measurements:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability.

### **Fair Value of Financial Assets**

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them:

Financial Assets carried at Fair Value through Profit and Loss	Fair Value Hierarchy	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Funds	Level 1	6,900	6,900	8,501	8,501

There were no transfers between input levels 1 and 2 during the year and there has been no change in the valuation technique used during the year. Because of the instant access and low volatility net asset value nature of the money market funds, fair value equals carrying value.

### **Fair Value of Assets and Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)**

Except for the financial assets carried at fair value (described in the table above), all other financial assets and liabilities represented by amortised cost and long-term debtors and creditors are carried in 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 loans from the Public Works Loan Board (PWLB), new borrowing rates from the PWLB have been applied to provide the fair value under PWLB redemption procedures.

- For other market debt and investments, prevailing market rates have been used to provide the fair value, i.e. the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- 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) and King & Shaxson (Custody service for Certificates of Deposit (CDs)) 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.

Financial Assets carried at Amortised Cost	Fair Value Hierarchy	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash deposits		5,592	5,592	5,522	5,522
Fixed term deposits excluding CDs	Level 2	4,913	4,913	13,544	13,544
Fixed term deposits CDs	Level 2	0	0	1,000	1,000
Trade Debtors		16,112	16,112	2,556	2,556
Long-Term Debtors		1,655	1,655	10,053	10,053
<b>Total</b>		<b>28,272</b>	<b>28,272</b>	<b>32,675</b>	<b>32,675</b>

Financial Liabilities held at Amortised Cost	Fair Value Hierarchy	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Fixed Term Borrowing	Level 2	(15,058)	(15,074)	(12,669)	(12,494)
Bank Overdraft		(540)	(540)	0	0
Trade Creditors		(2,888)	(2,888)	(2,498)	(2,498)
Other Liabilities		(24)	(24)	0	0
<b>Total</b>		<b>(18,510)</b>	<b>(18,526)</b>	<b>(15,167)</b>	<b>(14,992)</b>

The fair value of the liabilities is £174,685 less than the carrying amount because the Council's portfolio of loans includes two fixed rate loans where the interest rate payable is less than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders below current market rates.

The Authority has a continuing ability to borrow at concessionary rates from the Public Works Loan Board (PWLB) rather than from markets. The fair value of the PWLB loans in comparison to the carrying value on the balance sheet measures the estimated economic effect of the terms that would be offered for market transactions undertaken at the balance sheet date compared with the existing terms agreed with the PWLB. The difference between the fair value and the carrying amount represents the notional additional interest that the Authority will pay over the remaining terms of the loans against what would be paid if the loans were at prevailing rates. The fair value is

measured using the new borrowing rates available from the PWLB. On this basis, the fair value of the PWLB loans with a carrying amount of £4.6million would be £4.5million. However, if the Authority were to seek to avoid the notional projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid. The exit price for the PWLB loans including the penalty charge would be £4.9million.

### 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. Because of the instant access and low volatility net asset value nature of the money market funds measured at fair value through profit and loss, there is zero gain or loss to be recognised in the comprehensive income and expenditure statement aside from the interest receivable. The accounting amendments made in relation to the fair value of the debenture to Ascent Housing LLP (soft loan) over its original 25 year life were completed in full during the year as the debenture was repaid in January 2022 upon the winding up of the company.

	2020/21		2021/22	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Financial assets measured at fair value through profit and loss:</b>				
Interest receivable and similar income	8	0	3	0
<b>Financial assets measured at amortised cost:</b>				
Material soft loan increase in discounted amount	67	0	1,963	0
Interest receivable and similar income	710	0	512	0
<b>Financial liabilities measured at amortised cost:</b>				
Interest payable and similar charges	(120)	0	(103)	0
<b>Total net gains/ (losses)</b>	<b>665</b>	<b>0</b>	<b>2,478</b>	<b>0</b>

### 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 in February 2021.

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 £28.6million cannot be assessed generally, as the risk of any institution failing to make repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31<sup>st</sup> March 2022 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 2021 £000	ECL Value at 31 Mar 2022 £000	Increase/ (Decrease) in ECL
Trade Debtors: non statutory bad debt provision	Simplified Model	Lifetime Expected Credit Losses - simplified approach	345	438	93
<u>Deposit with banks/financial institutions</u>					
Cash/Bank MMFs Fixed Deposit Notice Accounts CD's	Historic Risk of Default	12mth Expected Credit Losses	0.00069	0.002409	0.001719
<u>Loans</u>					
Soft Loans (Debenture Ascent)	Assessment of credit risk	Lifetime Expected Credit Losses - not credit impaired	1,389	0	(1,389)
Service Loans to 3rd parties (Ascent Loan)	Assessment of credit risk	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
			1,734	438	(1,296)

### 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 2021 Carrying amount £000	Average Interest Rate	Type	31st March 2022 Carrying amount £000	Average Interest Rate
5,900	0.28%	<b>Fixed Term Investments &amp; Notice Accounts</b>	14,500	0.72%
5,900	0.28%	Original maturity profile	14,500	0.72%
		Less than 365 days		
5,900	0.28%	Remaining maturity profile	14,500	0.72%
		Less 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.

31st March 2021 Carrying amount £000	Average Interest Rate	Type	31st March 2022 Carrying amount £000	Average Interest Rate
15,000	0.65%	<b>Local Authority Fixed Term Borrowing</b>	12,604	1.40%
		Original maturity profile		
6,000	0	Less than 1 Year	0	0.00%
9,000	0	Between 1 and 5 Years	8,000	1.02%
0	0	Between 5 and 10 Years	4,604	2.07%
		Remaining maturity profile		
7,000	0	Less than 1 Year	5,000	0.88%
8,000	0	Between 1 and 5 Years	3,000	1.25%
0	0	Between 5 and 10 Years	4,604	2.07%

## 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 [no variable rate borrowing at the balance sheet date].
- 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest receivable on variable rate investments	(140)
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(140)</b>
Increase in Fair Value of Fixed Rate Borrowing	414

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. 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 2022 the Council's amount subject to levy under the SOA stood at £90,747, unchanged from 2020/21

#### ***Contingent Assets***

There are no contingent assets.

#### **15. Events after the Balance Sheet Date**

The unaudited Statement of Accounts were authorised for issue on 29th July 2022 and the audited Statement of Accounts were authorised for issue on 1<sup>st</sup> March 2023, by Martin Owen, Executive Director (Chief Finance Officer).

Where events taking place before this date provided information about conditions existing at 31 March 2022, 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.

### **Coronavirus Pandemic and Geopolitical Upheaval**

The negative impact of the on-going Coronavirus Pandemic on the world economy has been further worsened by Russia's invasion of Ukraine. The latter has caused a severe spike in global commodity prices. The UK and local economy is not immune to the resulting inflationary pressures. The Authority has concluded that this does not require any adjustment of the 2021/22 Statements.

However the impact 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 accordingly.

## 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

2020/21 £000		2021/22 £000
1,037	<b>Net Surplus or (Deficit) on the Provision of Services</b>	191
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
1,910	Depreciation	1,453
903	Impairment and downward valuations	810
27	Amortisation	31
699	Material Impairment losses on Investments debited to financing and investment income in year	468
(66)	Reduction in fair value of Soft Loans (non Subsidiary) made in the year	
5	Increase/ (Decrease) in Interest Creditors	6
(1,834)	Increase/ (Decrease) in Creditors	555
(6)	(Increase) /Decrease in Interest and Dividend Debtors	(75)
(6,170)	(Increase) /Decrease in Debtors	2,005
(8)	(Increase) /Decrease in Inventories	1
(1,606)	Pension Liability	2,210
(299)	Contributions to/ (from) Provisions	(623)
51	Movement in Investment Property Values	(252)
<b>(6,394)</b>		<b>6,589</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(1,774)	Capital Grants credited to surplus or deficit on the provision of services	(1,782)
	Proceeds from the sale of short and long term investments	4,900
<b>(1,774)</b>		<b>3,118</b>
<b>(7,131)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>9,898</b>

### 16b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
646	Interest received	2,403
(584)	Interest paid	371

**16c. Investing Activities**

2020/21		2021/22
£000		£000
(2,786)	Purchase of property, plant and equipment, investment property and intangible assets	(1,482)
(4,900)	Purchase of short-term and long-term investments	(14,500)
0	Other payments for investing activities	(10,000)
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
2,200	Proceeds from short-term and long-term investments	0
1,511	Other receipts from investing activities	19,320
<b>(3,975)</b>	<b>Net cash flows from investing activities</b>	<b>(6,662)</b>

**16d. Financing Activities**

2020/21		2021/22
£000		£000
14,500	Cash receipts or short and long-term borrowing	4,605
10,361	Billing Authorities - Council Tax & NNDR Adjustment	1,230
(8)	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	0
(9,500)	Repayments of short and long-term borrowing	(7,000)
<b>15,353</b>	<b>Net cash flows from financing activities</b>	<b>(1,165)</b>



## Notes to the Collection Fund Account

### 1. Non-Domestic Rates (NDR)

Under the Business Rates Retention Scheme, a proportion of Business Rates is retained locally. During the current year the Council retained 40%; with the remainder split 9% to the County Council, 1% to the Fire & Rescue Authority, and 50% to Central Government.

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.

2020/21		2021/22
£56,205,035	Total Non-Domestic Rateable Value at Year End	£56,557,445
51.2p	National Non-Domestic Rate Multiplier	51.2p

### 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	
		2020/21	2021/22	2020/21	2021/22
Band A	6	9,631	9,634	4,317	4,305
Band B	7	10,610	10,608	6,711	6,690
Band C	8	10,664	10,699	8,265	8,271
Band D	9	6,209	6,203	5,607	5,617
Band E	11	4,344	4,373	4,909	4,940
Band F	13	1,967	1,976	2,632	2,638
Band G	15	771	775	1,187	1,200
Band H	18	32	31	35	37
<b>Total</b>		<b>44,228</b>	<b>44,299</b>	<b>33,663</b>	<b>33,698</b>
Deduction for non-collection				(438)	(438)
Additional properties and adjustments during the year				0	0
<b>Council Tax Base (Band D equivalent)</b>				<b>33,225</b>	<b>33,260</b>

### 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 2021/22 year were a £632,000 deficit for Council Tax and a deficit of £9,973,000 for Business Rates, both of which have been distributed in 2021/22.

For Council Tax, the estimated deficit was apportioned amongst the preceptors in proportion to the value of their respective demands and precepts made on the Collection Fund for 2020/21. For Business Rates, the estimated deficit was apportioned using the prescribed proportions for 2021/22 of 50% (Central Government), 40% (Billing Authority), 9% (County Council), and 1% (Fire Authority).

2020/21 Council Tax	2020/21 Business Rates		2021/22 Council Tax Precept	2021/22 Business Rates Precept	Distribution of Council Tax Estimated Surplus / (Deficit)	Distribution of Business Rates Estimated Surplus / (Deficit)	2021/22 Council Tax Total	2021/22 Business Rates Total
£000	£000		£000	£000	£000	£000	£000	£000
		<b>Precepting Authorities</b>						
43,271	10,455	Central Government	45,254	10,003	(454)	(5,293)	44,800	4,710
7,516	2,173	Staffordshire County Council	7,935	1,800	(79)	(591)	7,856	1,209
2,579		Staffordshire Police Authority	2,620		(27)	(100)	2,593	100
	214	Staffordshire Fire & Rescue Authority		200				
<b>53,366</b>	<b>12,842</b>	<b>Precepting Authorities</b>	<b>55,809</b>	<b>12,003</b>	<b>(560)</b>	<b>(5,984)</b>	<b>55,249</b>	<b>6,019</b>
5,543	8,561	Staffordshire Moorlands District Council	5,679	8,003	(72)	(3,989)	5,607	4,014
290		Cheadle Town Council	290				290	
362		Biddulph Town Council	370				370	
181		Leek Town Council	181				181	
539		Parish Councils	544				544	
<b>6,915</b>	<b>8,561</b>		<b>7,064</b>	<b>8,003</b>	<b>(72)</b>	<b>(3,989)</b>	<b>6,992</b>	<b>4,014</b>
<b>60,281</b>	<b>21,403</b>	<b>Total</b>	<b>62,873</b>	<b>20,006</b>	<b>(632)</b>	<b>(9,973)</b>	<b>62,241</b>	<b>10,033</b>

On the 2021/22 Collection Fund, the accounts record an in-year surplus of £1,208,000 for Council Tax and £8,156,000 for Business Rates. The balance at 31 March 2022 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:

2020/21		2021/22		2021/22		
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	
(65)	(5,191)		4,385	72	(806)	
(413)	(3,909)	137	3,262	455	(647)	
(72)	(572)	868	427	80	(145)	
(25)	(98)	152		26	(16)	
(575)	(9,770)	51	82			
		<b>Balance at 31 March</b>	<b>1,208</b>	<b>8,156</b>	<b>633</b>	<b>(1,614)</b>

The Council Tax cumulative surplus amounts attributable to the County Council, Office of the Police & Crime Commissioner and Fire & Rescue Authority above are shown as creditors in the 2021/22 Balance Sheet; the Business Rates cumulative deficit amounts attributable to Central Government, the County Council and Fire & Rescue Authority above are shown as debtors in the 2021/22 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:

2020/21 Business Rates		2021/22 Council Tax	2021/22 Business Rates
£000		£000	£000
1,949	<b>Note 3c Taxation and Non-Specific Grant</b> Council Tax Income	(7,130)	
	Non-Domestic Rates Retention		(1,425)
(8,216)	SMDC Precept	(7,065)	(8,003)
(345)	SMDC share of (Surplus)/ Deficit Distributed in the Year	72	3,989
4,743	SMDC share of actual (Surplus)/ Deficit recorded at 31st March	(137)	(3,263)
362	Contribution to Business Rates Pool*		446
5,405	NDR Tariff**		5,406
<b>1,949</b>	<b>Total</b>	<b>(7,130)</b>	<b>(1,425)</b>
<b>0</b>	<b>Variance</b>	<b>0</b>	<b>0</b>

\* Under the Business Rates Retention system, the NDR levy is a charge on a proportion of growth above the Business Rates Funding Baseline in the year. This is a charge to the General Fund and as such does not feature in the Collection Fund Statement. As a member of a Business Rates Pool the Council does not have to pay this levy to Central Government, but instead pays a contribution to the Staffordshire Business Rates Pool. This figure includes an update to the estimated draft contribution to the pool for the previous year.

\*\* 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
  - unlisted 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 and 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.

Where the Council is acting as the Agent of a third party, by distributing grants on their behalf, those transactions are not reflected in the Comprehensive Income and Expenditure Statement. Any debtor or creditor balance, in respect of cash received or expenditure incurred, is reported in the Balance Sheet and included in financing activities in the Cash Flow Statement.

### **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 had a material interest in Ascent Housing LLP which was a joint venture between the Council and Your Housing Group Limited. This was transferred on 26<sup>th</sup> January 2022, therefore there is no consolidation into the Council's accounts required.

The authority has a material interest in Alliance Environment Services Ltd (AES) with Staffordshire Moorlands District Council and Cheshire East Council. This arrangement is assessed as Joint Operation therefore is not required to prepare group accounts. The Council does not have interest in any other any company or entity that has the nature of a subsidiary, associate or joint venture, so has no requirement to prepare group accounts.

#### **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.

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 assets' 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).

Depreciation 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.
- It is not charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

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 unless it is determined that there would be no material increase in carrying value.

#### • 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.

Where a Non-Property asset continues to be of economic value to the authority but has been fully depreciated it will be recorded in the Balance Sheet at a carrying value of £0 irrespective of how many more useful years it is assessed to have.

## 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 within a year.

**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 the asset.

**New Homes Bonus**

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

**Non-Current Assets**

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

**Non-Domestic Rates (NDR)**

Amounts payable to local authorities from Non-Domestic Rates properties 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 1<sup>st</sup> 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

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Staffordshire Moorlands District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director (Finance & Customer Services') use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Executive Director (Finance & Customer Services') conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director (Finance & Customer Services') use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director (Finance & Customer Services') with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director (Finance & Customer Services') and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Executive Director (Finance & Customer Services) is responsible for the other information. The other information comprises the information included in Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of the Authority, the Executive Director and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Finance & Customer Services). The Executive Director (Finance & Customer Services) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director (Finance & Customer Services) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit & Accounts Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government Act 2003, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit & Accounts Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit & Accounts Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Non-routine journal entries, and key accounting estimates around the valuation of land and buildings, investment properties and the net pension liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director (Finance & Customer Services) has in place to prevent and detect fraud;
  - journal entry testing, with a focus on non-routine transactions and journals falling within identified risk criteria including, journals posted by senior officers, large year-end and post year-end journals and journals that may move revenue expenditure to capital;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and defined benefit pension net liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### **Responsibilities of the Authority**

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Staffordshire Moorlands District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

### **Use of our report**

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

*Michael Green*

Michael Green, Key Audit Partner

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

Manchester

3 March 2023