

STATEMENT OF ACCOUNTS

2015 / 2016



Cannock Chase District Council – Statement of Accounts

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Narrative Report

The Statement of Accounts for the year ended 31 March 2016 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2015/16 and the Service Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that members of the public, including electors and residents of Cannock Chase Council, Members, partners, stakeholders and other interested parties can for the 2015/16 financial year:

- See the performance of the Council including progress against its strategic objectives;
- Understand the overarching financial position of the Council;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Have sight of the progress made in monitoring the key risks faced by the Council.

This **Narrative Report** is structured as follows:

- An Overview of Cannock Chase District Council;
- An Introduction to Cannock Chase Council;
- Summary of the performance of Cannock Chase Council in 2015/16;
- Summary of the financial performance of Cannock Chase Council in 2015/16;
- Future Issues facing the council;
- Explanation of the Financial Statements.

1. An Overview of Cannock Chase District Council

Cannock Chase District covers over seven thousand hectares on the northern border of the West Midlands conurbation and forms one of the eight Districts of the County of Staffordshire. The District itself incorporates the towns of Cannock, Rugeley and Hednesford. Cannock Chase is a designated Area of Outstanding Natural Beauty with 60% of the District being designated Green Belt. It has a population of 98,119, an increase of 0.7% since 2011 when the population stood at 97,462. The population of the district is expected to grow to 105,000 by 2037 (source: 2012-based Subnational Population Projections, ONS). The District has strong transport infrastructures including the M6, M6 Toll and A5 trunk road.

Cannock Chase District is the most deprived Local Authority in Staffordshire (excluding Stoke-on-Trent) and ranks 123rd out of 326 local authority areas. Deprivation occurs mainly in Education, Skills and Training Employment, Health and Disability and Income. It is estimated that approximately 19% of children in Cannock Chase are classified as living in poverty. The JSA claimant rate is above the District average in five wards but below the District average in ten wards. 23.4% of residents in the District aged 16-64 have qualifications equivalent to NVQ 4+ (source: Annual Population Survey, NOMIS, ONS). The District is a member of both the Greater Birmingham and Solihull Local Economic Partnership (LEP) and the Staffordshire and Stoke-on-Trent LEP whose purpose is to promote economic growth and investment.

The 2011 Census showed that Cannock had a population of 97,462 residents, of which 96.5% were classified as White British. Of that figure 18,435 were aged between 0-15, 63,370 were of working age (16-64) and 15, 657 were over the age of 65. The population of the District is aging at a rate faster than the England average, with a the overall population of Cannock Chase projected to see significant growth in the number of people aged 65+ and with further increases expected in those aged 85 and over.

2. An introduction to the Council

Cannock Chase District Council came into being on 1 April 1974, following the merger of the Cannock and Rugeley Urban District Councils and the inclusion of Brindley Heath from the former Lichfield Rural District Council. There are 41 Councillors representing 15 wards, who are all democratically elected representatives responsible for setting the policy direction and budgets of the Council. The political composition of seats as of 6 May 2016 is as follows:

Labour 21
UKIP 4
Independent 1
Conservatives 13
Green Party 1
Liberal Democrats 1

The Council receives its funding through four primary sources; council tax, business rates, fees and charges and specific grant funding. Following direction from Political Leadership, Cannock Chase Council policies are implemented by a Leadership Team comprising of a Managing Director and nine Heads of Service, (four of which are shared with Stafford Borough Council. The services it provides to its residents include:

- Supporting and developing arts and culture alongside the WLCT through the Prince of Wales Centre, the Museum of Cannock Chase and other events held in the District.
- Encouraging and supporting residents to be active and look after their health through the provision of leisure centre and sports development and by providing and maintaining parks and green spaces, allotments and playing pitches.
- Providing refuse collection, recycling, street cleaning, and noise/pet control services to help keep our community clean and protected.
- Encouraging economic development and town centre regeneration whilst continuing to supporting local public transport and maintaining Council car parks.
- Working with Partners to reduce crime and anti social behaviour, carrying out food safety inspections and the monitoring of CCTV.

- Supporting the provision of affordable housing and improving accommodation standards for private tenants as well as supporting residents experiencing issues of homelessness.
- Dealing efficiently with planning applications and providing building control services.

These services are supported by a number of internal functions including customer services, HR, IT, finance and legal services. Some services are shared with Stafford Borough Council. Staffordshire County Council remains responsible for services including social care, education, children's services, highways and libraries.

3. The Council's Performance

In order to translate the Council's mission into everyday actions, the Council's Corporate Plan 2015-18 outlines its priority areas which are the Council's Strategic Objectives. The following strategic objectives form the basis for detailed actions and projects to be planned and delivered in the district:

Customers

- Delivering Council services that are customer centered and accessible
- Making the best use of limited resources

Better jobs and skills

- Supporting a successful business economy.
- Growing the number of successful business.
- Improving skills and accessibility to local employment opportunities.
- Supporting attractive and competitive town centres.

More and better housing

- Planning for the housing needs of the District.
- Increasing the supply of affordable housing.






Cleaner and safer environments

- Striving for cleaner, greener and attractive public environments across the District.
- Working with Partners to foster safer and stronger communities.

Better health outcomes

- Increasing access to physically active and healthy lifestyles.
- Working with our Partners to reduce health inequalities in the District.

How well did we do?

	PROJECTS/ACTIONS					No Rating
						
	Project completed	Project on target	Project scope/target date requires attention	Project requires amendment	Project aborted/closed	
Customers	6 46%	3 23%	4 31%	0 0%	0 0%	0 0%
Better Jobs and Skills	5 29%	9 53%	3 18%	0 0%	0 0%	0 0%
Better Health Outcomes	9 50%	8 44%	1 6%	0 0%	0 0%	0 0%
Cleaner and Safer Environments – Community Safety	2 100%	0 0%	0 0%	0 0%	0 0%	0 0%
Cleaner and Safer Environments – Environment	4 67%	2 33%	0 0%	0 0%	0 0%	0 0%
More and Better Housing	5 42%	5 42%	2 16%	0 0%	0 0%	0 0%
TOTAL	31 45%	27 40%	10 15%	0 0%	0 0%	0 0%

4. Financial Performance in 2015/16

Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2015/16, in terms of the Council's management accounting framework, rather than the statutory IFRS framework.

Revenue spending

The General Fund records all the day-to-day spending on Council services. The net cost of services contained within the General Fund are met primarily from central government funds and from income derived from the Council Tax payers within the District.

The Band D Council Tax for 2015/16 was £200.95.

The Council approved net revenue spending of £11.074 million for 2015/16. The actual spend was £10.446 million (-5.7%) less than budgeted. The following table sets out the net revenue spending and financing compared with the budget for the year:

	Budget	Actual	Variation
	£'000	£'000	£'000
Portfolio Budgets	11,709	11,276	(433)
Investment income	(130)	(199)	(69)
Interest Payable	156	112	(44)
Technical items	982	940	(42)
Use of Government Grants	(1,347)	(1,372)	(25)
Business Rates Pool	(296)	(311)	(15)
Net Revenue Budget	11,074	10,446	(628)
Financed by:			
Demand on Collection Fund	(5,406)	(5,406)	-
Revenue Support Grant	(2,128)	(2,128)	-
Business Rates Retention	(3,674)	(3,720)	(46)
Transfer to/(from) Working Balance	134	808	674
Total financing	(11,074)	(10,446)	628

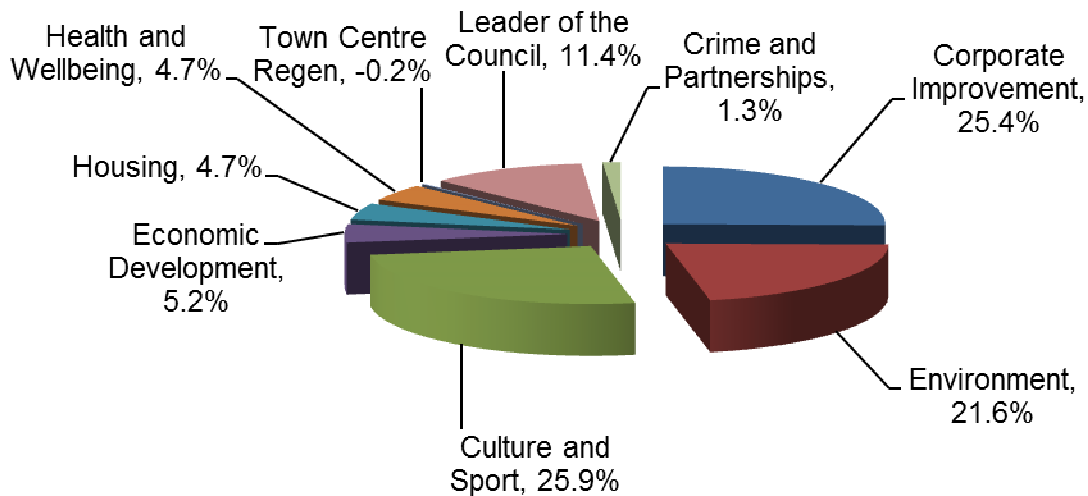
The table above shows the budget anticipated net expenditure of £11.074 million, to be principally funded from Council Taxpayers (£5.406 million) and Central Government (£5.802 million).

The actual position shows that net expenditure was £0.628 million lower than budgeted.

The overall position, actual net expenditure and financing, resulted in a transfer of £0.808 million to the General Fund working balance as compared to the budgeted figure of £0.134 million.

The table above provides a simplified version of the Comprehensive Income and Expenditure Account which appears later in this booklet. The Comprehensive Income and Expenditure Account includes accounting items required under the Code of Practice but which do not affect the actual movement in the General Fund balance as shown in the above table and therefore presents the same financial information but includes further accounting entries to comply with the Code. Technical items include the Council's statutory annual provision from revenue to contribute towards the reduction in its overall borrowing requirement and non service government grants.

Net Cost of Services General Fund



Financial performance against Budget in 2015/16

Portfolio expenditure was £0.433 million lower than the budget, primarily as a result of income being some £0.254 million higher than anticipated and staffing variations of £0.114 million. The **principal variances** on each portfolio are as follows, ((+) is an unfavourable variance (-) is a favourable variance):

Corporate Improvement

- Local Taxation additional income from court costs £80,000 (-), additional grants and contributions £33,000 (-), partly offset by increase in bad debts provision court costs £128,000 (+)
- Public Buildings additional rents and contributions £28,000 (-), reduced utility costs £36,000 (-)
- Staffing variations £39,000 (-)
- Land Charges additional income £10,000 (-)
- Municipal Mutual Insurance (MMI) Levy payment £45,000 (+)
- Vehicles additional income £4,000 (-) and reduced consumables purchase £13,000 (-)
- Shared service pension contribution £40,000 (-)

Environment

- Grounds maintenance contingency not required £91,000 (-), lower fuel costs £10,000 (-) and additional income £18,000 (-)
- Off Street Parking – additional enforcement costs £33,000 (+), St Josephs car park dilapidation costs £38,000 (+), partly offset by increased income £39,000 (-)
- Licensing reduced income £56,000 (+)
- Staffing variations £12,000 (-)

Culture and Sport

- Cemeteries additional income £22,000 (-)
- Staffing vacancy £16,000 (-)
- Parks additional fees and charges income £5,000 (-), Tree maintenance additional income £20,000 (-), reduced utility costs £7,000 (-) and lower grounds maintenance spend £8,000 (-)
- Leisure planning and marketing income from Leisure Contractor (Wigan Leisure Trust) for discretionary rate relief £23,000 (-)

Economic Development

- Industrial sites – reduced spend and additional income backdated rents £26,000 (-)
- Management and Support rephased use of reserves £30,000 (-)
- Development control – additional planning fee income £67,000 (-) partly offset by transfer to equalisation reserve £56,000 (+)

Housing (Housing General Fund)

- Staffing vacancy £9,000 (-)
- Housing services rephased use of reserves £25,000 (+)

Health and Wellbeing

- Loss of housing benefit subsidy - £60,000 (+)
- Staffing vacancy £29,000 (-)
- Social alarms additional income £10,000 (-)
- CCTV additional monitoring income £22,000 (-), partly offset by additional equipment costs £4,000 (+)

Town Centre Regeneration

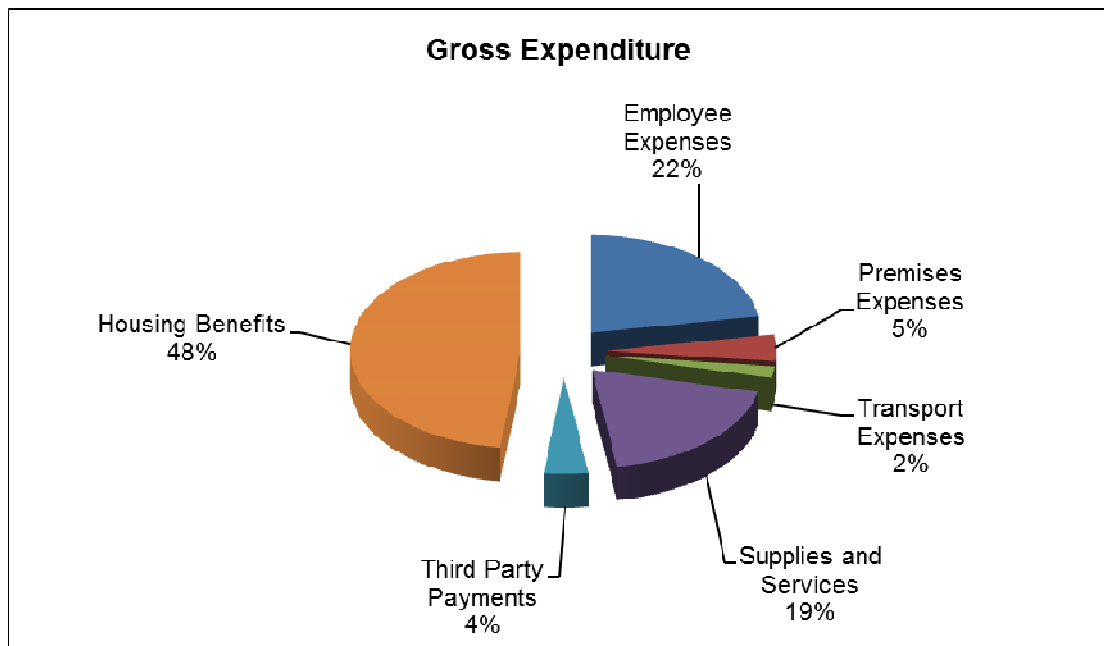
- Markets reduced income £10,000 (+) partly offset by reduced public buildings spend £8,000 (-)
- Town Centre Management reduced public buildings spend £17,000 (-)

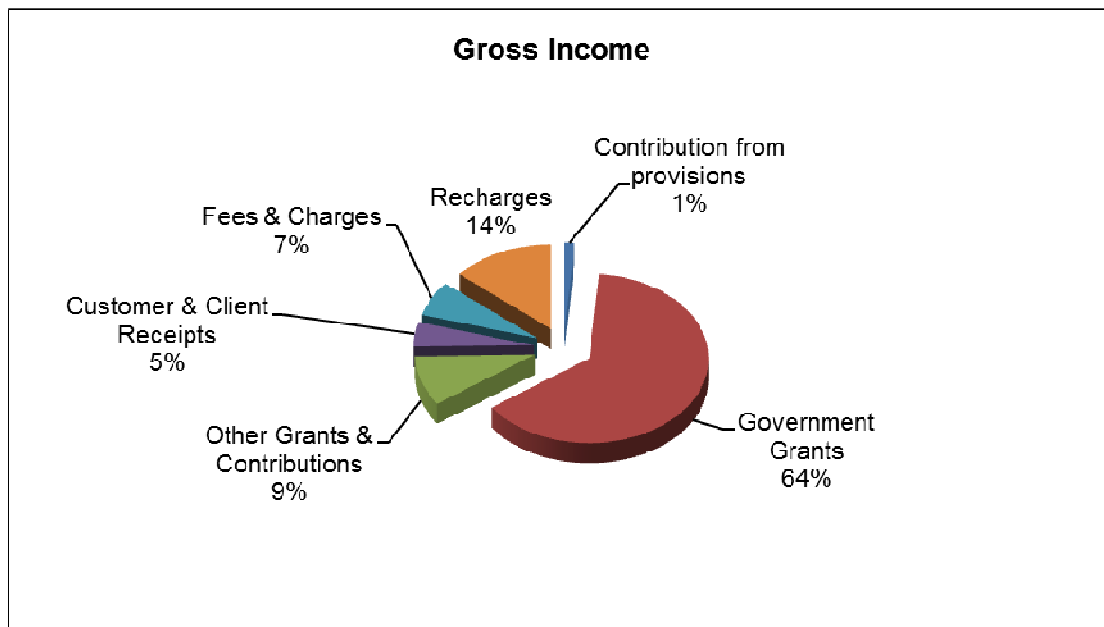
Leader of the Council

- Savings on democratic services costs - £21,000 (-)
- Savings on elections costs - £16,000 (-)
- Staffing vacancies £9,000 (-)
- E-government – lower Staffordshire connexs costs £16,000 (-)
- Executive management returning officer income £5,000 (-)

Crime & Partnerships

- Staffing variations and reduced utility costs





5. Future issues facing the Council

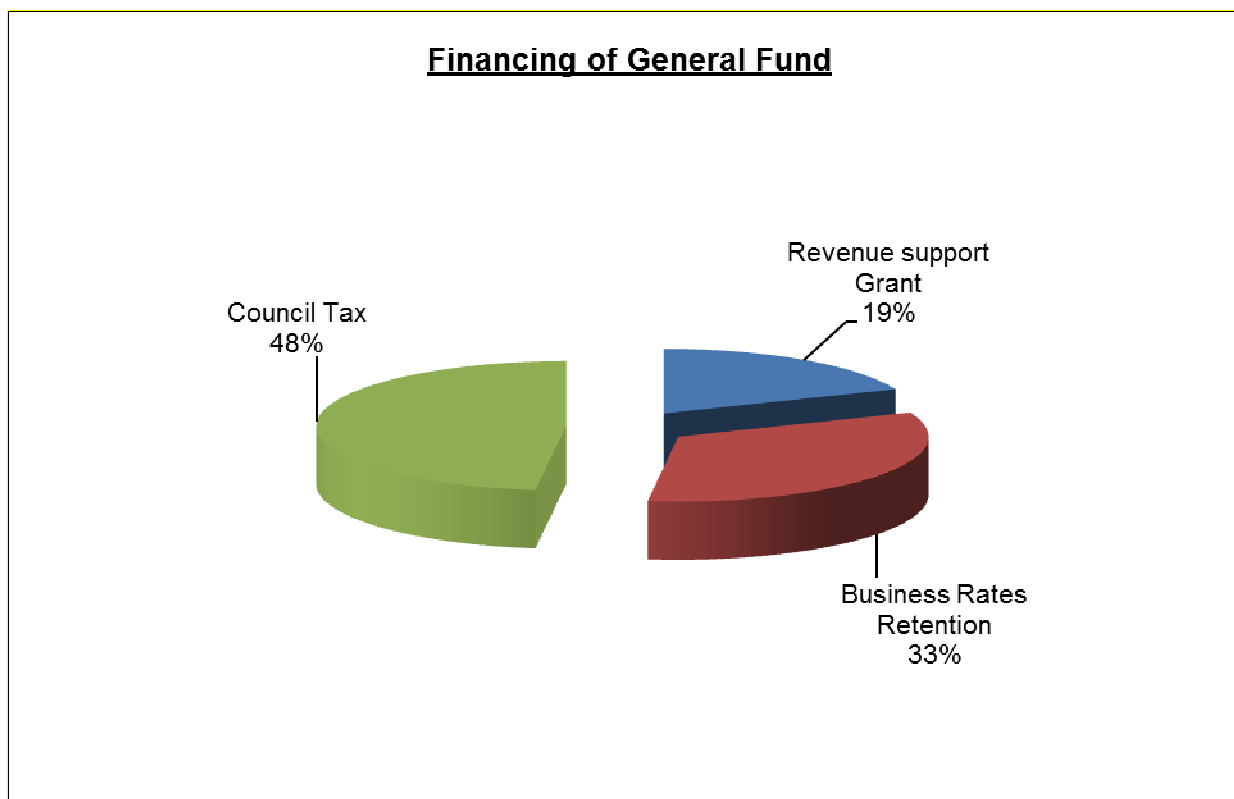
The Council plans its finances over a medium term 4 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. The Council did have a balanced budget for 2016/17 and 2017/18 but a material deficit in 2018/19 (as a result of a reduction in government funding). However the closure of Rugeley Power Station creates an ongoing reduction in resources from business rates of £1 million per annum. The Council continues to plan for future spending pressures and reductions in government support. The Council was unsuccessful in seeking transitional funding from the Government and has instigated a Financial Recovery Plan with a series of saving options now out to public consultation.

As part of its financial planning the Council identifies its key financial risks to ensure they are taken into account when considering the budget. Some of the key issues facing the Council in the future are:

- Central government funding – The government has made considerable cuts in public spending. Austerity measures will inevitably lead to the Council being under continuing pressure to deliver significant budget savings going forward;
- Business Rates Retention Scheme – 2015/16 was the third year of the new regime for collecting National Non Domestic Rates (NNDR). Income is now shared between central government, the Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire Authority and the Greater Birmingham and Solihull Business Rates Pool. This change carries the following financial risks for the Council:
 - Failure to collect business rates income in accordance with the “Start-Up” funding assessment;
 - Failure to collect business rates billed;
 - Reduced business rates collectable as a result of appeals.
- Business Rates – the Council is facing a significant challenge due to the closure of a major business rates contributor to the district. This will necessitate a full review of overall funding levels and activities.
- Social Housing Rents – the government has introduced a policy whereby social rents will be reduced by 1% per annum over the next four years. This has required a review of the housing business plan. In addition the Council is awaiting the details of the Housing and Planning Bill including Sale of High Value properties and Pay to Stay regulations.
- Income levels – a number of main income streams are subject to demand factors and are influenced by the wider economic climate. The Council has limited means to

address issues of demand however income is an area that receives particular budget monitoring attention.;

- Interest rates – the on-going period of low interest rates has impacted on investment returns. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of 0.25% changes investment income by about £60,000. Current indications suggest that bank rate may begin to increase in the first quarter of 2017;
- Inflationary pressures – price inflation increased to 0.5% in March but remains well below the Bank of England’s 2% target and is expected to stay below 1% this year;
- Pension’s costs – although the Council’s share of the liabilities in the pension fund showed an improvement in 2015/16, the Council continues to face the pressure of the rising costs of pension’s provision.



Collection Fund

The overall amount of Council Tax required by the precepting authorities to be collected through the Council’s Collection Fund was £40.783 million, with the District Council’s element being £5.406 million and £0.569 million required by Parish Councils in the District.

The detailed Collection Fund accounts show the overall position for the year in relation not only to Council Tax but also to the collection of National Non Domestic Rates Income which is now shared between central government, the Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire Authority and the Greater Birmingham and Solihull Business Rates Pool.

The net position on the Collection Fund for the year was a deficit of £0.047 million for Council Tax which after taking account of previous years’ surpluses leaves a net surplus on the fund of £0.110 million at 31 March 2016 (of which £0.016 million relates to this Council).

A deficit of £4.953 million exists in relation to Business Rates as at 31 March 2016. The deficit is however notional and represents a timing difference between estimated Business Rates returns and actual returns. This Councils actual retained Business Income is in line with the Income and Expenditure account after taking into account the timing deficit required as part of the Collection Fund Statutory requirements. The deficit is as a result in the provision set aside to fund business rates appeals.

Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April 2015 was £1.249 million and this was increased during 2015/16 to £2.057 million at 31 March 2016. The Council's policy is to retain a minimum General Fund balance of 5.5% of net expenditure, or the calculated risk factor whichever is the greater to cover contingencies and emergencies.
- General Fund Earmarked Reserves – In addition to the General Fund balance the Council maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments, support the budget in the future and, in some cases, to spread expenditure over a number of years. At 1 April 2015, earmarked reserves stood at £11.245 million and increased to £11.298 million at 31 March 2016
- Housing Revenue Account balance – the balance at 1 April 2015 was £3.627 million and this reduced during 2015/16 to £1.629 million at 31 March 2016. This was in line with the forecast budget reduction. The Council's policy is to retain a minimum Housing Revenue balance of £1 million to cover contingencies and emergencies
- Housing Revenue Account Earmarked Reserves – In addition to the Housing Revenue Account balance, the Council maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments, support the budget in the future and capital programme, and in some cases, to spread expenditure over a number of years. At 1 April 2015, Housing Revenue Account earmarked reserves stood at £3.492 million and reduced to £2.096 million at 31 March 2016.

Pensions

Councils are required to account for pension costs to show any deficit, or surplus, on the Pension Fund in the balance sheet. The fund is administered by Staffordshire County Council and the actuarial valuation at 31 March 2016 showed the Council's share of the fund to be a deficit of £66.834 million. The fund deficit has no impact on the level of Council Tax. The remaining deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

Capital Expenditure

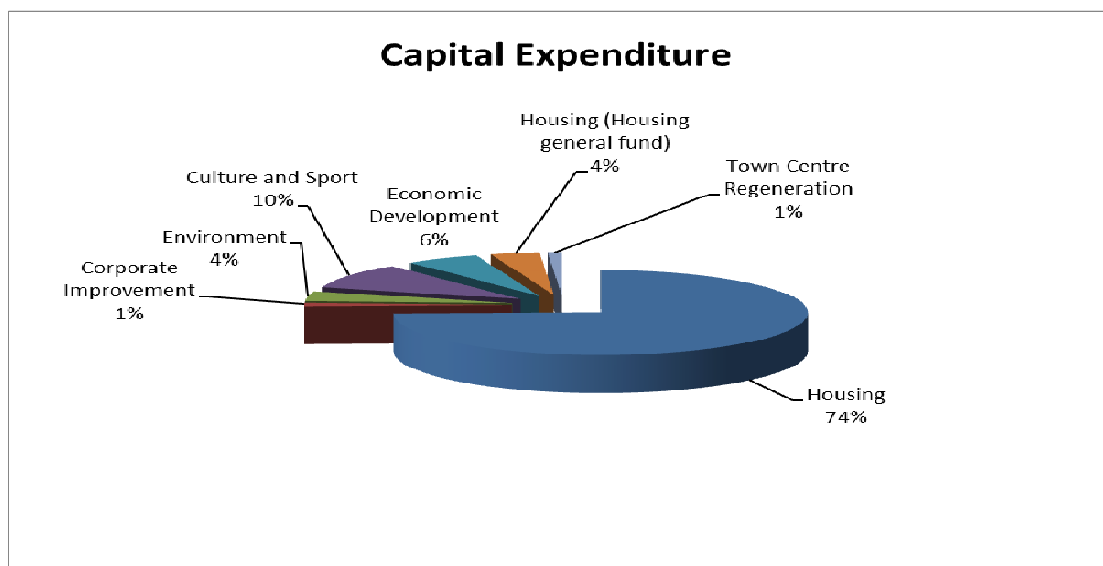
The Council approves the Capital Programme for the financial year as part of the budget process and the amount that can be spent is limited by the amount of capital resources available to the Council.

Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through to the end of March of the relevant year.

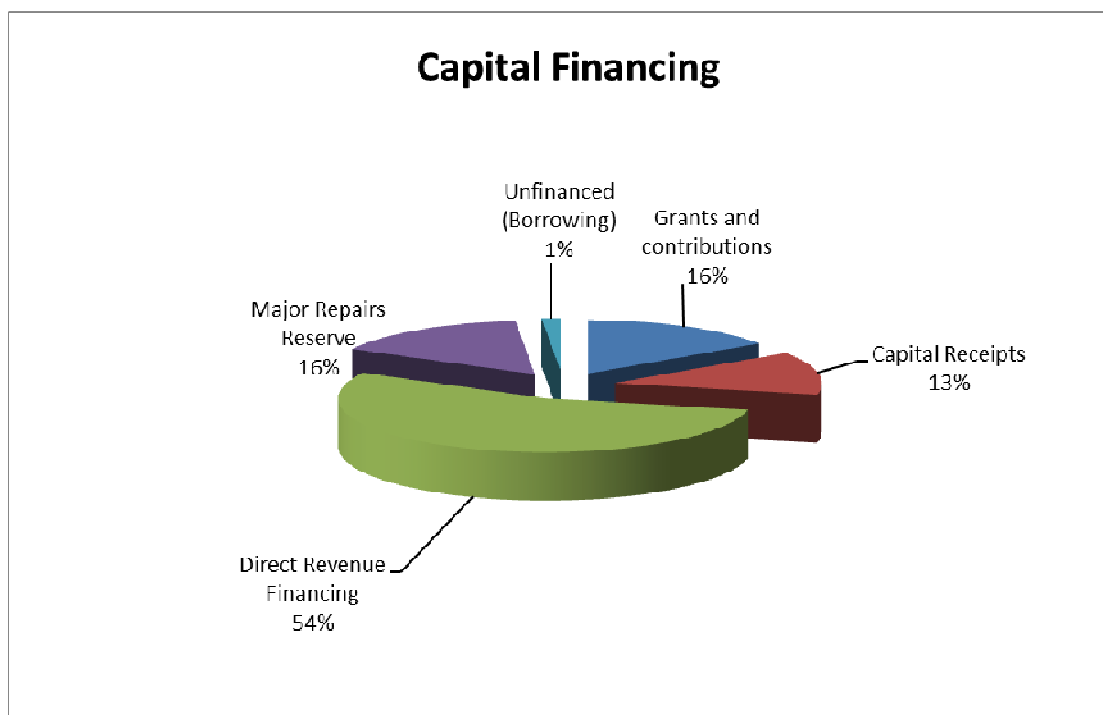
The Council spent £17.335 million on capital projects in 2015/16, which was £4.966 million less than the budget of £22.301 million. The main reasons for the variation in 2015/16 is slippage of major capital spend to future years particularly in relation to Hednesford Park, Stadium Development and additional cemetery provision. The major items of capital expenditure in the year were:

- **£2.418 million** on Moss Road Remma Flats Development;
- **£2,242 million** on Green Lane New Build
- **£1.526 million** on providing double glazing;
- **£1.432 million** on external and environmental works;
- **£1.362 million** on improvements to Hednesford Park;
- **£1.220 million** on bathroom replacements;

- **£1.048 million** on central heating upgrades;
- **£1.000 million** on the Rail Freight Hub;
- **£0.635 million** on Disabled Facilities Grants;
- **£0.606 million** on upgrading electrical systems;
- **£0.593 million** on bringing void properties back into use;
- **£0.537 million** on council disabled facilities grants;
- **£0.516 million** on Additional Cemetery Provision;
- **£0.396 million** on replacing kitchens in council homes.
- **£0.258 million** on Replacement of Housing Management IT system
- **£0.146 million** on the Civic Centre accommodation sharing project;
- **£0.120 million** on town centre regeneration;



The capital programme of £17.335 million was financed in the following way:



Treasury Management

During most of 2015/16 investment decisions were driven by cash flow considerations and funds placed in Money Market Funds for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow.

The average investment balance in 2015/16 was £18.3 million (£15.6 million in 2014/15). Interest receipts totalled £0.180 million in 2015/16, up by £0.033 million from £0.147 million in 2014/15.

Housing Revenue Account

The Housing Revenue position is slightly different. Rents are determined in accordance with the Government's national social rent policy, no rent increase was applied in 2015/16.

The new self financing arrangements that came into force in April 2012 have released the Council from annual subsidy payments and enabled better planning for maintenance of the housing stock over the long term (30+ years). The new arrangements have also meant that additional resources can be redirected to the Capital Programme to allow increased investment in the Council's housing stock and the construction of additional council housing.

The Housing Revenue Account outturn shows the use of working balances of £1.997 million when compared with the revised budget which anticipated a use of working balances of £2.102 million, a reduction of £0.105 million. This variation relates primarily to savings in supervision and management and capital financing, offset by additional costs in relation to repairs and maintenance. The planned net deficit primarily related to the application of £2.302 million of working balances, the excess balances above the 10% minimum requirement as determined in the HRA Business Plan, as a Revenue Contribution to Capital Outlay in the year

The deficit for the year resulted in Housing Working Balances reducing to £1.629 million as at 31 March 2016, some £0.105 million in excess of the minimum requirement.

6. Explanation of Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Council and the Chief Finance Officer (Deputy Managing Director)

Auditors report gives the auditor's opinion of the financial statements and of the council's arrangements for securing economy, efficiency and effectiveness in the use of resources,

Core Financial Statements

Movement in Reserves Statement - This statement provides a summary of the changes that have taken place in the Council's reserves over the financial year by analysing the increase or decrease. Reserves are divided into 'Usable' that can be invested in capital projects or service improvements, and 'Unusable' which must be set aside for specific purposes and cannot be used to fund expenditure.

Comprehensive Income and Expenditure Account– This shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax and other government grants. The amount funded from Council Tax and grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

Balance Sheet – shows the value of the Council’s assets and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories, Usable and Unusable reserves. Unusable reserves are not available to support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve for Non-Current assets will only become available if the asset is sold and the full value of the asset realised.

Cash Flow Statement – shows the changes in the Council’s cash and cash equivalents during the reporting period. The statement shows how Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or by the recipient of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cashflows arising from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, i.e. borrowing.

Supplementary Statements

Housing Revenue Account – This statement reflects a statutory obligation to account separately for local authority housing provision. Income and expenditure on Council Housing is ‘ring fenced’ within the HRA. The statement shows the economic cost in the year of providing housing services rather than the amount to be funded from rent and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA statement. The Account is self-financing, and contributions from the General Fund Account are not permitted.

Collection Fund - is an agents’ statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to precepting bodies.

Glossary - This provides an explanation of the technical terms contained within the statement of accounts.

Main Changes to the Core Statements and Significant Transactions in 2015/16

Comprehensive Income and Expenditure Account (page 21)

- There was an increase in the cost of services of £4.361 million. This related mainly to capital charges to revenue of £4.311 million and minor variations in income and expenditure. Further detail is contained in note 5 to the accounts (Material items of income and expense.)
- The most significant item is the actuarial gain of £14.659 million this is primarily due to changes in the discount rates used to value the pension fund assets.

Balance Sheet (page 22)

- The pension fund liability has reduced from £78.059 million to £66.834 million, a reduction of £11.225 million which is largely due to the changes in financial assumptions on discount rates. These assumptions are determined by the Actuary and represent the market conditions at the reporting date.
- Specialised assets held at DRC (Depreciated Replacement Cost) for Cannock Chase Leisure Centre have been revalued due to the increase in build costs. This has therefore increased the Property, Plant and Equipment by £2.322 million.
- Long term borrowing has reduced by £0.800 million which has been transferred to short term borrowing as this is due to be repaid during 2016/17
- Usable reserves have reduced overall by £1.568 million primarily reflecting the following;
 - Reduction of the HRA working balance planned as part of the budget setting for 2015/16 £1.998 million.
 - HRA Earmarked reserves reduced by £1.396 million as part of capital financing.

- Increase in General Fund working balance of £0.808 million
- Increase in Capital receipts reserve of £0.985 million reflecting additional receipts

Cash Flow Statement (page 23)

- There is an overall reduction of £0.803 million in cash and cash equivalents at the end of the reporting period, primarily due to changes in relation to investing and financing activities.

**CERTIFICATION OF ACCOUNTS
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 secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Managing Director with S151 responsibilities;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Managing Director with S151 Responsibilities

The Deputy Managing Director is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code of Practice").

In preparing this Statement of Accounts, the Deputy Managing Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Deputy Managing Director has also:

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

Certification by Deputy Managing Director

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2016.

R A Kean Date 19/09/2016

R A Kean CPFA - Deputy Managing Director

* this certificate replaces the previous version signed on the 27 June 2016.

Certification by the Chairman of the Audit and Governance Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2016 was considered and approved by the Audit and Governance Committee of the Council on 27 September 2016.

P Witton Date 27/09/2016

Councillor P T Witton - Chairman of the Audit and Governance Committee

original signed copy held in finance

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, 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 Council'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.

The balance at 31 March for Usable Reserves represents the amount available for use in the delivery of services.

	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked General Fund Reserves £000	Earmarked Housing Revenue Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2015	(1,249)	(3,627)	(11,245)	(3,492)	(2,657)	(817)	(2,331)	(25,418)	(14,596)	(40,014)
Transfer of reserves	337	(337)	-							
Movement in reserves during 2015/16										
(Surplus)/deficit on the provision of services	(358)	5,382	-	-	-	-	-	5,024	-	5,024
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(18,622)	(18,622)
Total Comprehensive Income and Expenditure	(358)	5,382	-	-	-	-	-	5,024	(18,622)	(13,598)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(840)	(1,651)	-	-	(985)	(500)	520	(3,456)	3,456	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(1,198)	3,731	-	-	(985)	(500)	520	1,568	(15,166)	(13,598)
Transfers to/from Earmarked Reserves (Note 8)	53	(1,396)	(53)	1,396	-	-	-	-	-	-
(Increase)/Decrease in 2015/16	(808)	1,998	(53)	1,396	(985)	(500)	520	1,568	(15,166)	(13,598)
Balance at 31 March 2016	(2,057)	(1,629)	(11,298)	(2,096)	(3,642)	(1,317)	(1,811)	(23,850)	(29,762)	(53,612)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked General Fund Reserves £000	Earmarked Housing Revenue Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014	(2,222)	(2,795)	(7,750)	(4,527)	(1,355)	(750)	(1,856)	(21,255)	(29,829)	(51,084)
Transfer of reserves	34	(34)								
Movement in reserves during 2014/15										
(Surplus)/deficit on the provision of services	2,045	(510)	-	-	-	-	-	1,535	-	1,535
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	9,535	9,535
Total Comprehensive Income and Expenditure	2,045	(510)	-	-	-	-	-	1,535	9,535	11,070
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,601)	747	-	-	(1,302)	(67)	(475)	(5,698)	5,698	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(2,556)	237	-	-	(1,302)	(67)	(475)	(4,163)	15,233	11,070
Transfers to/from Earmarked Reserves (Note 8)	3,495	(1,035)	(3,495)	1,035	-	-	-	-	-	-
(Increase)/Decrease in 2014/15	973	(832)	(3,495)	1,035	(1,302)	(67)	(475)	(4,163)	15,233	11,070
Balance at 31 March 2015	(1,249)	(3,627)	(11,245)	(3,492)	(2,657)	(817)	(2,331)	(25,418)	(14,596)	(40,014)

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

2014/15				2015/16		
Gross Expend	Gross Income	Net Expend		Gross Expend	Gross Income	Net Expend
£000	£000	£000		£000	£000	£000
3,036	1,760	1,276	Central Services to the Public	2,939	1,861	1,078
4,581	579	4,002	Cultural and Related Services	4,536	521	4,015
5,785	1,893	3,892	Environmental & Regulatory Services	6,158	1,969	4,189
1,898	1,144	754	Planning and Development Services	2,111	1,211	900
1,233	1,319	(86)	Highways, Roads and Transport Services	606	842	(236)
29,114	28,355	759	Housing General Fund	29,552	28,030	1,522
1,549	2	1,547	Corporate and Democratic Core	1,177	6	1,171
2,341	1,869	472	Non-distributed costs	2,167	1,877	290
18,408	20,663	(2,255)	Housing Revenue Account (HRA) Net cost of services	22,471	20,525	1,946
67,945	57,584	10,361	Cost of Services	71,717	56,842	14,875
		846	Other operating expenditure (Note 9)			(6)
		6,143	Financing and investment income and expenditure (Note 10)			5,828
		(15,815)	Taxation and non-specific grant income (Note 11)			(15,673)
		1,535	(Surplus) / Deficit on Provision of Services			5,024
		(1,195)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 24)			(3,964)
		-	(Surplus) or deficit on revaluation of available for sale financial assets (Note 24)			1
		10,730	Remeasurement of the net defined benefit liability / asset (Note 24)			(14,659)
		9,535	Other Comprehensive Income and Expenditure			(18,622)
		11,070	Total Comprehensive Income and Expenditure			(13,598)

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

The first category of reserves are Usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves includes reserves that hold unrealised gains and losses (for example Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015		31 March 2016	
£000	Notes	£000	
190,652	Property, Plant & Equipment	12	192,492
40	Assets held for sale	20	-
296	Heritage Assets	13	296
1,729	Investment Properties	14	1,729
285	Intangible Assets	15	462
2,086	Long Term Debtors	16	2,083
195,088	Long Term Assets		197,062
6,009	Short Term Investments	16	5,732
106	Inventories	17	102
5,285	Short Term Debtors	18	4,282
6,092	Cash and Cash Equivalents	19	6,895
17,492	Current Assets		17,011
(831)	Short Term Borrowing	16	(1,172)
(4,972)	Short Term Creditors	21	(4,704)
(267)	Provisions	22	(23)
(71)	Grants Receipts in Advance-Revenue	36	(82)
(759)	Grants Receipts in Advance-Capital	36	(859)
(6,900)	Current Liabilities		(6,840)
(37)	Long Term Creditors	16	(34)
(85,005)	Long Term Borrowing	48	(84,205)
(2,488)	Provisions	22	(2,480)
(77)	Other Long Term Liabilities	47	(68)
(78,059)	Pensions	42	(66,834)
(165,666)	Long Term Liabilities		(153,621)
40,014	Net Assets		53,612
(25,418)	Usable Reserves	23	(23,850)
(14,596)	Unusable Reserve	24	(29,762)
(40,014)	Total Reserves		(53,612)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2014/15	2015/16
£000	£000
1,535 Net (surplus) or deficit on the provision of services	5,024
(17,364) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(21,546)
5,408 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	5,980
(10,421) Net cash flows from Operating Activities	(10,542)
9,038 Investing Activities (Note 27)	10,116
1,645 Financing Activities (Note 28)	(377)
262 Net (increase) / decrease in cash and cash equivalents	(803)
6,354 Cash and cash equivalents at the beginning of the reporting period	6,092
6,092 Cash and cash equivalents at the end of the reporting period (Note 19)	6,895

NOTES TO THE ACCOUNTS

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

In compiling the disclosure notes the Council has given due regard to materiality and therefore detailed disclosures are not given for items below £50,000 unless there is a statutory override. The general principle used for rounding is to the nearest £000's.

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.

ii 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. The Council operates a deminimus for accruals of £1,000. In particular:

- Revenue from the sale of goods is recognised when the Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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 or payable on borrowings is accounted for respectively as income and expenditure on 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.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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 Council's cash management.

iv Exceptional Items

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

v 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, ie in the current and future year 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 Council's 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.

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees are recognised as an expense for services in the year in which employees render the service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, 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 the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of 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 Council are members of the Local Government Pension Scheme, administered by Staffordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Staffordshire County Council (SCC) pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate determined by the actuary.
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities 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), ie net interest expense for the Council - 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 of 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.
 - the return on plan assets - excluding amounts included in net interest on the net defined benefit 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 SCC 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to

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

Discretionary Benefits

The Council 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.

viii Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- 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.

ix Financial Instruments

Financial Liabilities

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

For most of the borrowings made by the Council, 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.

Discounts on the early repayment of loans are apportioned between the General Fund and HRA with the General Fund element being credited immediately and the HRA share being amortised over 10 years.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

x Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 - unobservable inputs for the asset.

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

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

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

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

xi 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 Council where there is reasonable assurance that:

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

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

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund expenditure. However a small proportion of the charges may be used to fund revenue expenditure.

xii Heritage Assets

Tangible and Intangible Heritage Assets

The Council's heritage assets comprise the Civic Regalia and Museum artefacts. The collections are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, plant & equipment. However some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Civic Regalia

These items are reported in the Balance Sheet based on the latest valuation available which for this item is insurance valuation.

Museum Artefacts

These items are reported in the Balance Sheet based on the latest valuation available which for this item is insurance valuation.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note xvii in this summary of significant accounting policies). The Council may occasionally dispose of heritage assets if unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes xvii in this summary of significant accounting policies).

xiii Intangible Assets

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

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 Council 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 and development 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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. 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

xv Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

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.

xvi Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. They are not depreciated but are revalued annually at fair value. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

xvii Leases

Leases are classified as finance leases where the lease terms 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 building 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 Council as Lessee:

Finance Leases

Property, plant and equipment held under finance leases are 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 is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Council 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, 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 benefiting from use of the leased property, plant and 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 (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor:

Finance Leases

Where the Council 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 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 Council'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 (ie 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 property, plant and equipment 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 Council 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 (eg 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.

xviii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xix Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rentals 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 Council 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 (ie repairs and maintenance) is charged as an expense when it is incurred. The de minimus value for items to be treated as capital expenditure is £20,000.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). 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 Council.

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

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

- infrastructure, community assets - depreciated historical cost (DHC)
- assets under construction - cost
- surplus assets - the current value measurement basis 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 (EUV).

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

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

Assets included in the Balance Sheet at 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a

loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:-

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- council housing - 75 years
- vehicles, plant and equipment - straight-line allocation on historic cost over 5 years or over the period of the lease
- infrastructure - straight-line allocation on historic cost over 25 years

Where an item of 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. The Council has established a de minimus threshold in relation to componentisation of £1 million or 10% of the total asset value.

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 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 (ie 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 and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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 property, plant and equipment 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.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 Council 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 Council.

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.

xxi Reserves

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

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

xxii 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 Council 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.

xxiii 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.

xxiv Debt Redemption

In accordance with the requirements of the Local Government Act 2003, the Council is required to set aside a Minimum Revenue Provision (MRP) for the repayment of debt. This is equal to 4% of the General Fund Capital Financing requirement adjusted for an opening year balance. If depreciation on the General Fund does not equal this amount, then a transfer either to or from the Capital Adjustment Account (CAA) is required for the difference. Amounts set aside as transfers to reserves are disclosed separately on the face of the Movement in Reserves statement.

xxv Interest Charges

The amount of interest chargeable to the HRA is calculated in accordance with a calculation prescribed by Central Government.

xxvi Carbon Reduction Commitment Scheme

The Council is not currently required to participate as it does not consume the energy level thresholds required.

xxvii Tax Income (Council Tax, Non-Domestic Rates (NDR) and Rates)

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.
- Tariff included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

Council Tax

- Council Tax Income in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Both NDR, Tariff Expenditure and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement and Reserves Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

Revenue relating to such things as council tax, general rates etc shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

xxviii Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and its financial instruments for certificates of deposit at fair value at each reporting date. Fair Value 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. 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 Council 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 Council 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 Council 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 Council'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 Council 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.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- **IAS 1 Presentation of Financial Statements**

This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in the changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS 11 Joint Arrangements, IAS 16 Property, Plant, Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

- **Future levels of government funding**

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

- **Asset valuation**

The Council holds a number of shops and properties which could be classified as either investment properties and therefore valued at fair value, or operational assets which would be valued using existing use valuation techniques. The existing use value would be a lower figure than fair value.

In determining the appropriate basis the Council has considered the primary purpose of holding the assets and determined that the properties are held for regeneration purposes and therefore are not investment properties.

The Council continues to operate a 5 year rolling programme of asset valuations although guidance states that each class of asset should be revalued within a short period of time. The Council has carried out a separate review to ensure that the assets values within the accounts are not materially different from fair value.

- **Municipal Mutual Insurance (MMI)**

The Council has a potential clawback liability should there be a deficit in the winding up of the company. Although the Council has paid a 25% levy notice a separate disclosure has been made under contingent liabilities as it is not certain that this levy notice fully extinguishes any potential liability.

- **Rugeley Market Hall**

The Council has a long term lease of this site which runs until 2078. At present the Council records this as an operating lease, although the lease does contain certain elements which could identify it as a finance lease there would be no material impact on the accounts therefore it has been determined that this will remain an operating lease.

- **Wigan Leisure & Culture Trust (WLCT)**

The Council has outsourced its leisure services to Wigan Leisure & Culture Trust for a period of 10 years for which the Council pays a management fee. Although there is a lease with WLCT to allow them use of the assets no rentals are receivable. Therefore it has been determined that this is a service contract and the assets should remain on the balance sheet.

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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge would increase by £548,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The actuary has provided sensitivity information about the effects of changes in assumptions. The financial effects of these changes are detailed in note 42 to the accounts.
Sundry debt arrears	At 31 March 2016 the Council's balance of sundry debts was £3.345m. A review of significant balances suggested that an impairment of doubtful debts of 87.99% was appropriate (£2.940m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate by 1% an additional £33,000 would need to be set aside as allowance.
Council tax arrears	At 31 March 2016 the Council's share of the council tax debtors included in the councils accounts was £869,000. A review of significant balances suggested that an impairment of doubtful debts of 72% (£628,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £9,000 to set aside as an allowance.
Business rate arrears	At 31 March 2016 the Council's share of the business rates debtors included in the councils accounts was £940,000. A review of significant balances suggested that an impairment of doubtful debts of 68.1% (£640,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £9,000 to set aside as an allowance.
Business rates appeals	At 31 March 2016 the Council's share of the business rates appeals included in the Council's accounts was £2,103,000.	If there was an increase of 1% in the appeals percentages this would require an additional £75,000 to be set aside.
Lease income Market hall precincts	The Council has a long term agreement in place for 26% of rents receivable from lettings for the next 81 years. At the 31 March future rental income is based on the current rents receivable.	For every 1% reduction in the rental receivable this would reduce the income by £4,000 per annum.

5. Material Items of Income and Expense

The Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Account, that the nature and amount of material items should be disclosed in a note to the accounts. The material items of income and expenses for 2015/16 are as follows:

There has been an increase in the net cost of services of £4,361 this is primarily due to the following;

	£000
Increased impairment	3,951
Depreciation of Assets	153
Reduced Planning Income	96
Increased Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure	360
Reduced Housing Revenue Account (HRA) dwelling rents income	66
Increase in Bad Debts provision	75
Decrease in Employee provision	(244)
Increase in superannuation contributions	263
Increased legal costs	45
Increase in income from Public Buildings	(122)
Increase in Building Control Income	(72)
Increase in Off Street Parking	(87)
Decrease in Senior Management Costs	(192)
Increase In MMI Levy	45
Increase In Enforcement Collection	56
Decrease In Licensing Income	41
Decrease In Housing Benefits Admin Grant	49
Other changes	31
	<u>4,514</u>

6. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Managing Director on 27 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Financial Statements and notes have not been adjusted for the following event which took place after the 31 March 2016 as they provide information which is relevant to an understanding of The Council's financial position but do not relate to conditions at that date.

Rugeley Power Station

Due to the closure of the power station in early Summer 2016 this has had a significant effect on the funding to be received for the 2016/17 financial year. In order to provide a balanced budget for 2016/17, Cabinet agreed to use working balances to support the budget for 2016/17 in February 2016. Since that date the Council has instigated a Financial Recovery Plan to reduce the budget requirement which is due to go out to public consultation on 23 September 2016.

7. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in 2015/16 in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for Local Authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
2015/16							
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▫ Pension costs (transferred to / (or from) the Pensions Reserve)	(2,372)	(78)				(2,450)	2,450
▫ Council Tax and NDR (transfer to / (or from) Collection Fund)	230					230	(230)
▫ Holiday pay (transferred to the Accumulated Absences Reserve)	10	6				16	(16)
▫ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account.	(2,310)	(14,755)			(13)	(17,078)	17,078
Total Adjustments to the Revenue Resources	(4,442)	(14,827)	-	-	(13)	(19,282)	19,282
Adjustments between Revenue and Capital Resources							
▫ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,287	1,519	(3,806)			-	-
▫ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(56)	56			-	-
▫ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		(534)	534			-	-
▫ Posting of HRA resources from revenue to the Major Repairs Reserve		3,223		(3,223)		-	-
▫ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	691	223				914	(914)
▫ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	624	8,801				9,425	(9,425)
Total Adjustments between Revenue and Capital Resources	3,602	13,176	(3,216)	(3,223)	-	10,339	(10,339)
Adjustments to Capital Resources							
▫ Use of Capital Receipts Reserve to finance capital expenditure			2,234			2,234	(2,234)
▫ Use of the Major Repairs Reserve to finance capital expenditure				2,723		2,723	(2,723)
▫ Application of capital grants to finance capital expenditure					533	533	(533)
▫ Cash payments in relation to deferred capital receipts			(3)			(3)	3
Total Adjustments to Capital Resources	-	-	2,231	2,723	533	5,487	(5,487)
Total Adjustments	(840)	(1,651)	(985)	(500)	520	(3,456)	3,456

	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
2014/15							
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▫ Pension costs (transferred to / (or from) the Pensions Reserve)	(2,630)	13				(2,617)	2,617
▫ Council Tax and NDR (transfer to / (or from) Collection Fund)	(1,565)					(1,565)	1,565
▫ Holiday pay (transferred to the Accumulated Absences Reserve)	(44)	(13)				(57)	57
▫ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account.	(2,724)	(9,018)			(647)	(12,389)	12,389
Total Adjustments to the Revenue Resources	(6,963)	(9,018)	-	-	(647)	(16,628)	16,628
Adjustments between Revenue and Capital Resources							
▫ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,285	1,313	(2,598)			-	-
▫ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(35)	(40)	75			-	-
▫ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		(464)	464			-	-
▫ Posting of HRA resources from revenue to the Major Repairs Reserve		3,053		(3,053)		-	-
▫ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	651	9				660	(660)
▫ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	461	5,894				6,355	(6,355)
Total Adjustments between Revenue and Capital Resources	2,362	9,765	(2,059)	(3,053)	-	7,015	(7,015)
Adjustments to Capital Resources							
▫ Use of Capital Receipts Reserve to finance capital expenditure			762			762	(762)
▫ Use of the Major Repairs Reserve to finance capital expenditure				2,986		2,986	(2,986)
▫ Application of capital grants to finance capital expenditure					172	172	(172)
▫ Cash payments in relation to deferred capital receipts			(5)			(5)	5
Total Adjustments to Capital Resources	-	-	757	2,986	172	3,915	(3,915)
Total Adjustments	(4,601)	747	(1,302)	(67)	(475)	(5,698)	5,698

This table has been restated to enable comparison with 2015/16.

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2015/16.

	Balance at 1 April 2014 £000	Transfer out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000	Transfer out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000
Revenue							
General Fund							
General	4,485	(1,736)	2,007	4,756	(918)	1,237	5,075
Section 106	968	(177)	150	941	(111)	246	1,076
Commuted Sums	230	(15)	-	215	17	(17)	215
Grants	93	(104)	180	169	(148)	28	49
Business Rates Reserve	385	(385)	2,218	2,218	(2,218)	1,981	1,981
Trading	79	(79)	-	-	-	-	-
Sub Total	6,240	(2,496)	4,555	8,299	(3,378)	3,475	8,396
RCCO	1,510	-	1,436	2,946	(548)	504	2,902
Sub Total	1,510	-	1,436	2,946	(548)	504	2,902
HRA							
Housing	1,592	(367)	268	1,493	(332)	147	1,308
RCCO	2,935	(5,527)	4,591	1,999	(8,553)	7,342	788
Sub Total	4,527	(5,894)	4,859	3,492	(8,885)	7,489	2,096
Total Revenue Reserves	12,277	(8,390)	10,850	14,737	(12,811)	11,468	13,394

General Reserves relate to monies earmarked for future superannuation increases, building maintenance, internal leasing and IT, insurance liabilities and future budget support.

The Business Rates Reserve balance is not available for general use. This represents the Council's share of the deficit on the Collection Fund for 2015/16. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

9. Other Operating Expenditure

2014/15 £000	2015/16 £000
641 Parish council precepts	647
(266) (Gains)/Losses on the disposal of non-current assets:	(1,194)
7 Levies	7
464 Pooling of Capital Receipts	534
846 Total	(6)

10. Financing and Investment Income and Expenditure

2014/15 £000	2015/16 £000
3,734 Interest Payable & Similar Charges	3,614
(3,403) Net interest on the net defined benefit liability (asset)	(2,895)
6,228 Remeasurements of the net defined benefit liability/(asset)	5,408
(366) Interest Receivable and similar income	(167)
89 Income and Expenditure in relation to investment properties and changes in their fair value	-
(124) Income and Expenditure in relation to investment properties	(121)
(15) (Gain) / loss on trading accounts (Note 31)	(11)
6,143 Total	5,828

11. Taxation and Non Specific Grant Incomes

2014/15 £000	2015/16 £000
(2,842) Capital grants and contributions	(2,174)
(5,880) Precepts on the Collection Fund	(5,968)
(3,035) Revenue Support Grant	(2,128)
(2,849) Non domestic rates	(4,087)
(1,209) Non ring-fenced government grants	(1,316)
<u>(15,815) Total</u>	<u>(15,673)</u>

12. Property, Plant and Equipment

Movements on Balances

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Leased plant & Equipment	Assets Under Construction	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Movements in 2015/16							
Cost or Valuation							
At 1 April 2015	141,084	52,383	2,968	319	988	529	198,271
Additions	8,949	1,790	395			5,147	16,281
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(964)	1,606					642
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,262)	(386)					(11,648)
Derecognition - disposals	(1,210)	(1,305)					(2,515)
Derecognition - other							-
Assets reclassified (to)/from Held For Sale							-
Other movements in cost or valuation		(100)				100	-
at 31 March 2016	<u>136,597</u>	<u>53,988</u>	<u>3,363</u>	<u>319</u>	<u>988</u>	<u>5,776</u>	<u>201,031</u>
Accumulated Depreciation and Impairment							
at 1 April 2015	(1,853)	(3,344)	(1,708)	-	(714)	-	(7,619)
Depreciation charge	(1,823)	(1,690)	(455)		(274)		(4,242)
Depreciation written out to the Revaluation Reserve	1,853	1,469					3,322
Depreciation written out to the Surplus/ Deficit on the Provision of Services							-
Impairment losses/(reversals) recognised in the Revaluation Reserve							-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							-
Derecognition - disposals							-
Derecognition - other							-
Other movements in depreciation and impairment							-
at 31 March 2016	<u>(1,823)</u>	<u>(3,565)</u>	<u>(2,163)</u>	<u>-</u>	<u>(988)</u>	<u>-</u>	<u>(8,539)</u>
Net Book Value							
at 31 March 2016	134,774	50,423	1,200	319	-	5,776	192,492
at 31 March 2015	139,231	49,039	1,260	319	274	529	190,652

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Leased plant & Equipment	Assets Under Construction	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Movements in 2014/15							
Cost or Valuation							
At 1 April 2014	139,853	52,998	3,443	319	968	9	197,590
Additions	10,428	195	600			520	11,743
Donations							-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(886)	(189)					(1,075)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,350)	(345)					(7,695)
Derecognition - disposals	(963)						(963)
Derecognition - other							-
Assets reclassified (to)/from Held For Sale		(40)					(40)
Other movements in cost or valuation	2	(236)	(1,075)		20		(1,289)
at 31 March 2015	141,084	52,383	2,968	319	988	529	198,271
Accumulated Depreciation and Impairment							
at 1 April 2014	(1,817)	(2,409)	(2,383)		(477)		(7,086)
Depreciation charge	(1,853)	(1,619)	(400)		(216)		(4,088)
Depreciation written out to the Revaluation Reserve	1,817	452					2,269
Depreciation written out to the Surplus/Deficit on the Provision of Services							-
Impairment losses/(reversals) recognised in the Revaluation Reserve							-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							-
Derecognition - disposals							-
Derecognition - other							-
Other movements in depreciation and impairment		232	1,075		(21)		1,286
at 31 March 2014	(1,853)	(3,344)	(1,708)	-	(714)	-	(7,619)
Net Book Value							
at 31 March 2015	139,231	49,039	1,260	319	274	529	190,652
at 31 March 2014	138,036	50,589	1,060	319	491	9	190,504

Depreciation

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

- Council Dwellings - 75 years
- Other Land and Buildings - 40 years
- Vehicles - 5 years
- Equipment - 5 years
- Community Assets - 30 years

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £700,000. Similar commitments at 31 March 2015 were £602,000. The major commitments are for Hednesford Park (£409,000), Stadium Development (£109,000) and Replacement of Housing Vehicles (£93,000).

Valuation Information

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Land and Buildings are subject to detailed valuation every 5 years.

The valuations are carried out by the external valuer, Lambert Smith Hampton (Director TD Sandford BSc MRICS).

The Housing Revenue fixed assets valuations were completed by Mrs R. Holland Dip, Est. Man. M.R.I.C.S who is employed by the authority.

For operational properties, valuations have been arrived at by reference to one of the following bases of valuation:

- Market Value for Existing Use (MVEU) where there is sufficient market evidence of market transactions for that use;
- Depreciated Replacement Cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitable comparable properties;
- Non-operational properties have been valued on an open market basis;
- The valuation of the housing stock has been undertaken on the basis of Existing Use Value - Social Housing. The Council have now used the DCLG value reduction on social housing which is a discount rate of 66%.

The significant assumptions applied in estimating the fair values are:

- The apportionment between land and buildings has been undertaken in accordance with RICS Valuation Standards by deducting the value of the land for existing use from the valuation with the residual sum being the depreciable amount attributable to the building.
- In the appraisal of useful life regard is had to the council's continuing use of the asset being equal to the physical and economic life of the building assuming a programme of reasonable maintenance.

	Council Dwellings	Other Land and Buildings	Vehicles, plant & Equipment	Community Assets	Leased plant & Equipment	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost			1,200	319	-	1,519
valued at fair value as at:						
31 March 2012	-	692	-	-	-	692
31 March 2013	-	13,126	-	-	-	13,126
31 March 2014	-	7,090	-	-	-	7,090
31 March 2015	-	14,671	-	-	-	14,671
31 March 2016	134,774	14,844	-	-	-	149,618
Total Cost or Valuation	134,774	50,423	1,200	319	-	186,716

13. Heritage Assets

Heritage Assets are held by the authority of £296,000 comprising Civic Regalia (£35,000) and Exhibits (£261,000). There were no changes to these values in either 2014/15 or 2015/16.

14. 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.

2014/15 £000	2015/16 £000
124 Rental Income from Investment Property	121
124 Net Gain / (loss)	121

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2014/15 £000	2015/16 £000
1,818 Balance at start of the year	1,729
(89) Net gains/losses from fair value adjustments	-
1,729 Balance at end of year	1,729

Fair Value Measurement of Investment Property

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The fair value of the properties is based on Level 2 inputs in the fair value hierarchy. These have been based on the market approach using current market conditions and recent sales prices (where available to the market) and other relevant information for similar assets in the local authority area.

There have been no transfers between levels of the fair value hierarchy and valuation techniques from those used in 2014/15.

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets currently relate only to purchased licences as the Council does not currently have any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

Due to the low value of the Council's intangible asset amortisation a detailed disclosure of where the charge is made to the Comprehensive Income and Expenditure Account is not provided.

The movement on purchased Intangible Asset balances during the year is as follows:

2014/15	2015/16
Total	Total
£000	£000
Balance at start of year:	
60 Gross carrying amounts	297
- Accumulated amortisation	(12)
60 Net carrying amount at start of year	285
Additions:	
237 Purchases	237
(12) Amortisation for the period	(60)
285 Net carrying amount at end of year	462
Comprising:	
297 Gross carrying amounts	534
(12) Accumulated amortisation	(72)
285	462

The table below shows the amortisation profile of the intangible assets.

Carrying Amount	Carrying Amount
31 March 2015	31 March 2016
£000	£000
Remaining Amortisation Period	
- 1 Year	-
- 2 Years	-
- 3 Years	36
48 4 Years	190
237 5 Years	236
285	462

The Council revalues intangible assets where there is an active market, however it is currently considered that there is no active market for the software held and they have consequently not been revalued.

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2015			31 March 2016	
Long Term	Current		Long Term	Current
£000	£000		£000	£000
Investments				
-	6,009	Loans and receivables - Investments principal	-	4,724
-	-	Loans and receivables - Investments accrued interest	-	5
-	5,741	Loans and receivables - Cash & Cash Equivalents (CCE)	-	6,667
-	-	Loans and receivables - CCE accrued interest	-	5
-	-	Available for Sale financial assets	-	1,003
- 11,750		Total Investments	- 12,404	
Debtors				
2,086	-	Loans and receivables	2,083	-
-	3,042	Financial assets carried at contract amounts	-	3,089
2,086 3,042		Total Debtors	2,083 3,089	
Borrowings				
85,005	831	Financial liabilities at amortised cost - Loans Principal	84,205	800
-	-	Financial liabilities at amortised cost - Loans Accrued Interest	-	372
85,005 831		Total Borrowings	84,205 1,172	
Other Long Term Liabilities				
-	-	PFI and finance liabilities	-	-
- -		Total Other Long Term Liabilities	- -	
Creditors				
37	4,694	Financial liabilities carried at contract amount	34	3,812
37 4,694		Total Creditors	34 3,812	

Reclassifications

There were no reclassifications of financial instruments during 2015/16.

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income, Expense, Gains and Losses

2015/16	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	3,538	-	3,538
Total expense in Surplus or deficit on the Provision of Services	3,538	-	3,538
Interest income	-	(180)	(180)
Total income in Surplus or Deficit on the Provision of Services	-	(180)	(180)
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	1	1
Net gain/(loss) for the year	3,538	(179)	3,359

Income, Expense, Gains and Losses

2014/15	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	3,601	-	3,601
Total expense in Surplus or deficit on the Provision of Services	3,601	-	3,601
Interest income	-	(147)	(147)
Total income in Surplus or Deficit on the Provision of Services	-	(147)	(147)
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-
Net gain/(loss) for the year	3,601	(147)	3,454

Fair Values of Financial Assets

The Council's Available for Sale assets are measured in the balance sheet at fair value on a recurring basis. The Council only holds one form of available for sale asset which is Certificates of Deposit, these are valued as a level one input in the fair value hierarchy. The valuation technique used to measure fair value is unadjusted quoted prices in active markets for identical instruments. At the 31 March 2016 the Council held £1.003 million in certificates of deposit. This was with Credit Suisse AG.

Transfers between Levels of Fair Value Hierarchy

There were no transfers between input levels during 2015/16.

Changes in the Valuation Technique

There has been no change in valuation technique used during the year for the financial instruments.

The Fair Values of Financial Assets and Financial 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 above), all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long term debtors and creditors and are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB, new loan borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer as an alternative this value is also disclosed.
- For loans receivable, prevailing benchmark rates have been used to provide the fair value;
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Mark to Model Valuation for Financial Instruments

All the financial assets are classed as loans and receivables and held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future at today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2015			31 March 2016		
Carrying Amount	Fair Value	Financial Liabilities	Carrying Amount	Fair Value	
£000	£000		£000	£000	
85,805	101,940	PWLB Debt	85,377	103,791	
31	39	Market Loans	-	-	
4,694	4,694	Short Term Creditors	3,812	3,812	
37	37	Long Term Creditors	34	34	
90,567	106,710	Total Financial Liabilities	89,223	107,637	

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes a fixed rate loan where the interest payable is higher than the rates available for similar loans in the market place at balance sheet date. This shows a notional loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above market rates.

The fair value of Public Works Loan Boards of £103.791m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continued ability to borrow at concessionary rates from the PWLB rather than the market. The fair value calculated at premature repayment rate to reflect the interest that would be charged including a penalty charge for penalty interest would be £126.742m.

31 March 2015			31 March 2016	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000	Financial Assets	£000	£000
6,009	6,018	Fixed Term Deposits	4,729	4,734
5,741	5,739	Cash & Cash Equivalents	6,672	6,670
2,086	2,086	Long Term Debtors	2,083	2,083
3,042	3,042	Short Term Debtors	3,089	3,089
16,878	16,885	Total Financial Assets	16,573	16,576

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) arising from a commitment receive interest from lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

The Council carries stock as consumable stores and maintenance materials and the balance carried is not material, therefore detailed disclosure notes of movements are not required. At 31 March 2016 the balance of stocks held was £102,000, a decrease of £4,000 from the previous financial year.

18. Short Term Debtors

31 March 2015		31 March 2016	
£000		£000	
1,086	Central government bodies	1,024	
2,163	Other local authorities	1,723	
1	NHS bodies	24	
42	Public corporations and trading funds	9	
1,993	Other entities and individuals (net of impairments)	1,502	
5,285		4,282	

The Other entities and individuals balance above includes an impairment allowance of £5.403 million at 31 March 2016 and £4.899 million at 31 March 2015.

19. Cash and Cash Equivalents

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

31 March 2015		31 March 2016	
£000		£000	
Current Assets			
5,741	Cash equivalents held by the Council	6,672	
351	Bank current accounts	220	
-	Cash held by the Council	3	
6,092	Total Cash and Cash Equivalents	6,895	

20. Assets Held For Sale

There are no assets held for sale as at 31 March 2016. The asset held for sale in 2014/15 was 2 Calving Hill.

21. Short Term Creditors

31 March 2015 £000		31 March 2016 £000
745	Central government bodies	504
609	Other local authorities	1,163
-	- NHS Bodies	8
15	Public corporations and trading funds	16
3,603	Other entities and individuals	3,013
<u>4,972</u>		<u>4,704</u>

22. Provisions

(i) Current Liabilities

	Provisions £000
Balance at 1 April 2015	267
Additional provisions	-
Amounts used in 2015/16	(244)
Balance at 31 March 2016	<u>23</u>

The provision is an estimate in relation to property searches for Land Charges. This is expected to be settled within 12 months. The provision discharged is in relation to a senior management restructure.

(ii) Long Term Liabilities

	MMI £000	Insurance £000	Business Rates Appeals £000	Housing Employment Claim £000	Total £000
Balance at 1 April 2015	-	206	2,111	171	2,488
Additional provisions	-	50	453	-	503
Amounts used in 2015/16	-	(50)	(461)	-	(511)
Balance at 31 March 2016	-	206	2,103	171	<u>2,480</u>

The balance at 31 March 2016 reflects the Council's share of the provision for business rates appeals. The business rates provision is an estimate as detailed in note 4 to the accounts. It is included within long term liabilities as there is uncertainty on timing and amount.

23. Usable Reserves

31 March 2015 £000		31 March 2016 £000
(1,249)	General Fund Balance	(2,057)
(3,627)	HRA Balance	(1,629)
	Earmarked Reserves:	
(11,245)	General Fund	(11,298)
(3,492)	Housing Revenue Account	(2,096)
(2,657)	Capital Receipts Reserve	(3,642)
(2,331)	Capital Grants Unapplied	(1,811)
(817)	Housing Revenue Account - Major Repairs Reserve	(1,317)
<u>(25,418)</u>	Total Usable Reserves	<u>(23,850)</u>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

24. Unusable Reserves

31 March 2015 £000	31 March 2016 £000
(19,506) Revaluation Reserve	(22,440)
- Available for Sale Financial Instruments Reserve	1
(77,630) Capital Adjustment Account	(77,411)
80,306 Pensions Reserve	68,097
(86) Deferred Capital Receipts Reserve	(83)
2,195 Collection Fund Adjustment Account	1,965
125 Accumulated Absences Account	109
<u>(14,596) Total Unusable Reserves</u>	<u>(29,762)</u>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. 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 rising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £000	2015/16 £000
(20,266) Balance at 1 April	(19,506)
(3,272) Upward revaluation of assets	(7,650)
2,077 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,686
<hr/> (1,195) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<hr/> (3,964)
661 Difference between fair value depreciation and historical cost depreciation	838
1,294 Accumulated gains on assets sold or scrapped	192
<hr/> 1,955 Amount written off to the Capital Adjustment Account	<hr/> 1,030
<u>(19,506) Balance at 31 March</u>	<u>(22,440)</u>

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2014/15 £000	2015/16 £000
- Balance at 1 April	-
- Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1
<hr/> -	<hr/> 1
<u>- Balance at 31 March</u>	<u>1</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference 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 and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
(77,129)	Balance at 1 April	(77,630)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
11,735	Charges for depreciation and impairment of non-current assets	15,807
12	Amortisation of Intangible Assets	60
458	Revenue Expenditure Funded from Capital Under Statute	817
2,257	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	2,555
89	Fair Value of Investment Property	-
<u>14,551</u>		<u>19,239</u>
	(1,955) Adjusting amounts written out of the Revaluation Reserve	(1,030)
<u>(64,533)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(59,421)</u>
	Capital financing applied in the year:	
(762)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,234)
(2,986)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,723)
(2,162)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,161)
(172)	Application of grants to capital financing from the Capital Grants Unapplied Account	(533)
(660)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(914)
(6,355)	Capital expenditure charged against the General Fund and HRA balances	(9,425)
<u>(13,097)</u>		<u>(17,990)</u>
<u>(77,630)</u>	Balance at 31 March	<u>(77,411)</u>

Pensions Reserve

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
66,959	Balance at 1 April	80,306
10,730	Remeasurements of the net defined benefit liability/(asset)	(14,659)
5,460	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,852
(2,843)	Employers pensions contributions and direct payments to pensioners payable in the year	(3,402)
80,306	Balance at 31 March	68,097

Deferred Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
(91)	Balance at 1 April	(86)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	3
(86)	Balance at 31 March	(83)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000		2015/16 £000
630	Balance at 1 April	2,195
(267)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7
1,832	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(237)
2,195	Balance at 31 March	1,965

Accumulated Absences Account

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

2014/15 £000		2015/16 £000
	68 Balance at 1 April	125
-	Settlement or cancellation of accrual made at the end of the preceding year	(125)
57	Amounts accrued at the end of the current year	109
	57 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)
	<u>125</u> Balance at 31 March	<u>109</u>

25. Cash flow Statement - Non Cash Movements

2014/15 £000		2015/16 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(4,089)	Depreciation	(4,242)
(7,697)	Impairment and downward valuations	(11,648)
(12)	Amortisation	(60)
(2,100)	Increase / (decrease) in impairments for bad debts	(505)
(447)	Increase / (decrease) in Creditors	487
99	Increase / (decrease) in Debtors	179
(4)	Increase / (decrease) in Stock	(4)
(568)	Movement in pension liability	(3,434)
(2,257)	Carrying amount of non-current assets sold or derecognised	(2,555)
	- Movement in investment property value	-
(289)	Other non-cash items charged to the net surplus or deficit on the provision of services	236
	<u>(17,364)</u>	<u>(21,546)</u>
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
2,810	Capital grants credited to Surplus / Deficit on the Comprehensive Income and Expenditure Statement	2,174
2,598	Proceeds from the sales of Plant, Property and Equipment, Investment Property and Intangible Assets	3,806
	<u>5,408</u>	<u>5,980</u>

26. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(385)	Interest received	(185)
3,731	Interest paid	3,625

27. Cash flow Statement - Investing Activities

2014/15 £000		2015/16 £000
12,033	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	16,255
2,276	Purchase of short-term and long-term investments	76,033
(2,603)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,809)
	- Proceeds from short-term and long-term investments	(76,309)
(2,668)	Capital grants and income from discounts	(2,054)
<u>9,038</u>	Net cash flows from investing activities	<u>10,116</u>

28. Cash flow Statement - Financing Activities

2014/15 £000		2015/16 £000
220	Cash payments for the reduction of the outstanding liabilities relating to finance leases	277
3,012	Repayment of short and long term borrowing	840
(1,587)	Billing authority - Council Tax and NNDR adjustments	(1,494)
<u>1,645</u>	Net cash flows from financing activities	<u>(377)</u>

29. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across portfolios. These reports are used for management purposes and are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

Portfolio Income and Expenditure 2015/16	Crime & Partnerships	Leader of the Council	Health & Wellbeing	Housing GF	Town Centre Regeneration	Corporate Improvement	Culture & Sport	Economic Development	Environment	HRA	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	242	(11)	571	134	783	6,029	643	1,249	6,052	26,536	42,228
Government grants	27	14	26,505	5	-	792	-	-	-	3	27,346
Total Income	269	3	27,076	139	783	6,821	643	1,249	6,052	26,539	69,574
Employee expenses	170	552	736	503	117	5,392	569	1,231	2,830	4,206	16,306
Other service expenses	249	740	26,867	171	643	4,284	2,991	603	5,663	14,523	56,734
Total Expenditure	419	1,292	27,603	674	760	9,676	3,560	1,834	8,493	18,729	73,040
Support service recharges										2,849	2,849
Depreciation, amortisation and impairment										13,902	13,902
Interest Payments										3,437	3,437
Net Expenditure	150	1,289	527	535	(23)	2,855	2,917	585	2,441	12,378	23,654

Portfolio Income and Expenditure 2014/15	Crime & Partnerships	Leader of the Council	Health & Wellbeing	Housing GF	Town Centre Regeneration	Corporate Improvement	Culture & Sport	Economic Development	Environment	HRA	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	159	81	581	262	679	5,906	605	1,226	6,418	27,777	43,694
Government grants	97	65	26,961	-	-	788	-	5	80	260	28,256
Total Income	256	146	27,542	262	679	6,694	605	1,231	6,498	28,037	71,950
Employee expenses	186	971	710	504	102	5,284	531	1,140	2,911	4,184	16,523
Other service expenses	240	835	27,311	267	527	4,333	3,135	426	5,844	29,180	72,098
Total Expenditure	426	1,806	28,021	771	629	9,617	3,666	1,566	8,755	33,364	88,621
Net Expenditure	170	1,660	479	509	(50)	2,923	3,061	335	2,257	5,327	16,671

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

This reconciliation shows how figures in the analysis of Portfolio Income and Expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £000		2015/16 £000
16,671	Net expenditure in the Portfolio Analysis	23,654
2,569	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,113
(8,879)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(11,892)
10,361	Cost of Services in Comprehensive Income and Expenditure Statement	14,875

Reconciliation to Subjective Analysis

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

2015/16	Portfolio Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Accounts £000	Total £000
Fees, charges & other service income	42,228	8,968	(1,303)	(20,553)	29,340	639	29,979
Interest and investment income	-	-	-	-	-	167	167
Income from council tax	-	-	-	-	-	5,968	5,968
Government grants and contributions	27,346	156	-	-	27,502	9,705	37,207
Total Income	69,574	9,124	(1,303)	(20,553)	56,842	16,479	73,321
Employee expenses	16,306	496	(502)	(163)	16,137	121	16,258
Other service expenses	56,734	1,100	(9,080)	(9,766)	38,988	211	39,199
Support service recharges	2,849	7,775	(114)	(10,624)	(114)	114	-
Capital Financing	-	-	-	-	-	-	-
Depreciation, amortisation impairment & refcus	13,902	2,866	(62)	-	16,706	61	16,767
Interest Payments	3,437	-	(3,437)	-	-	6,127	6,127
Precepts & Levies	-	-	-	-	-	654	654
Gain or (Loss) Disposal of Property, plant & equipment	-	-	-	-	-	(660)	(660)
Total Expenditure	93,228	12,237	(13,195)	(20,553)	71,717	6,628	78,345
(Surplus) or deficit on the provision of services	23,654	3,113	(11,892)	-	14,875	(9,851)	5,024

2014/15	Portfolio Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Accounts £000	Total £000
Fees, charges & other service income	43,694	8,687	(1,202)	(21,851)	29,328	631	29,959
Interest and investment income	-	-	-	-	-	146	146
Income from council tax	-	-	-	-	-	5,880	5,880
Government grants and contributions	28,256	-	-	-	28,256	9,935	38,191
Total Income	71,950	8,687	(1,202)	(21,851)	57,584	16,592	74,176
Employee expenses	16,523	425	(584)	(153)	16,211	104	16,315
Other service expenses	55,806	885	(6,594)	(11,187)	38,910	230	39,140
Support service recharges	2,844	7,667	(92)	(10,511)	(92)	92	-
Capital Financing	-	-	(1)	-	(1)	4	3
Depreciation, amortisation impairment & refcus	9,977	2,279	660	-	12,916	154	13,070
Interest Payments	3,471	-	(3,470)	-	1	6,336	6,337
Precepts & Levies	-	-	-	-	-	648	648
Gain or (Loss) Disposal of Property, plant & equipment	-	-	-	-	-	198	198
Total Expenditure	88,621	11,256	(10,081)	(21,851)	67,945	7,766	75,711
(Surplus) or deficit on the provision of services	16,671	2,569	(8,879)	-	10,361	(8,826)	1,535

30. Acquired and Discontinued Operations

There are no significant operations which were acquired or discontinued during the year.

31. Trading Operations

The trading operations are analysed between General Fund and HRA with a further analysis between internal trading accounts (previously designated DSO accounts) and trading accounts defined by the Best Value Accounting Code of Practice.

2014/15			2015/16		
Expend £000	Income £000	Net £000	Expend £000	Income £000	Net £000
General Fund					
53	(105)	(52)	55	(125)	(70)
152	(152)	-	189	(190)	(1)
240	(222)	18	245	(211)	34
29	(35)	(6)	31	(28)	3
2	(4)	(2)	2	(3)	(1)
82	(53)	29	93	(50)	43
8	(43)	(35)	5	(49)	(44)
79	(46)	33	78	(53)	25
645	(660)	(15)	698	(709)	(11)
Total Trading (Surplus) / Deficit					

32. Agency Services

The responsibility for Civil Parking enforcement transferred back to Staffordshire County Council on 1st April 2015 therefore there was no spend in 2015/16.

2014/15			2015/16		
Expend £000	Income £000	Net £000	Expend £000	Income £000	Net £000
632	(590)	42	-	-	-
Civil Parking Enforcement					

33. Members Allowances

Members allowances paid during 2015/16 totalled £377,026.40 (2014/15 £376,628). Further details are available on the Council's website.

34. Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

Senior Officers emoluments 2015/16 - salary is between £50,000 and £150,000 per year

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	(i)	191,282	26	3,093	194,401
Corporate Director	(ii)	-	-	-	-
Managing Director		99,822	963	17,192	117,977
Head of Planning & Regeneration	(iii)	-	-	-	-
Head of Governance		63,765	963	11,222	75,950
Head of Financial Management	(v)	-	-	-	-
Deputy Managing Director		81,377	963	14,160	96,500
Head of Commissioning		63,897	846	11,122	75,865
Head of Environmental Health		64,170	963	11,131	76,264
Head of Housing & Waste Management	(vi)	41,331	634	6,811	48,776
Head of Economic Development	(iv)	64,406	963	11,031	76,400
		670,050	6,321	85,762	762,133

(i) The Council's Chief Executive post was deleted in 2015/16 as part of a senior management restructure. The exit package in relation to this post was disclosed in 2014/15 when the Council was demonstrably committed.

(ii) The Council's Corporate Director post was also deleted on 1st April 2015 and replaced with the Managing Director's post.

(iii) The Council's Head of Planning and Regeneration post was deleted on 30th April 2014.

(iv) The Council's Head of Economic Development post was a new post effective from 6th January 2015.

(v) The Council's Head of Financial Management is now the Deputy Managing Director.

(vi) The Head of Housing & Waste Management post was vacant from the 5th July 2015 as the previous postholder retired and the new postholder started on 9th November 2015.

Senior Officers emoluments 2014/15 - salary is between £50,000 and £150,000 per year

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive		112,890	963	19,496	133,349
Corporate Director		84,966	963	14,654	100,583
Managing Director		-	-	-	-
Head of Planning & Regeneration		6,504	80	901	7,485
Head of Governance		62,848	963	10,869	74,680
Head of Financial Management		68,975	963	11,933	81,871
Deputy Managing Director		-	-	-	-
Head of Commissioning		62,915	963	10,869	74,747
Head of Environmental Health		63,222	963	10,869	75,054
Head of Housing		62,592	963	10,828	74,383
Head of Economic Development		15,112	228	2,610	17,950
		540,024	7,049	93,029	640,102

The number of other employees within the Council receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are:

2014/15 Number of employees	Remuneration band	2015/16 Number of employees
1	£50,000 - £54,999	-
-	£55,000 - £59,999	1

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£0 - £20,000	-	1	-	2	-	3	-	19
£20,001 - £40,000	-	-	1	-	1	-	22	-
£40,001 - £60,000	-	-	1	-	1	-	47	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001+	-	-	1	-	1	-	224	-
TOTAL	-	1	3	2	3	3	293	19

35. External Audit Costs

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

2014/15 £000	2015/16 £000
69 Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	52
11 Fees payable to the Grant Thornton for the certification of grant claims and returns for the year	14
(7) Rebate from the Audit Commission during the year	-
73 Total	66

36. Grant Income & Precepts on the Collection Fund

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Credited to Taxation and Non Specific Grant Income	
3,035	Revenue Support Grant	2,128
5,880	Precepts On The Collection Fund	5,968
12,626	Distribution from Non-Domestic Rates	14,513
(10,335)	NNDR Tariff	(10,532)
(55)	NNDR Levy (GB & S Business Rates Pool)	(640)
506	Section 31 Small Business Grant	525
61	Council Tax Freeze Grant	62
1,006	New Homes Bonus	1,212
84	Retail Relief	157
83	Localising Council Tax New Burdens	25
82	Other general grants	81
971	Capital Grants-General Fund	1,876
1,871	Capital Grants-HRA	298
15,815	Total	15,673
	Credited to Services	
14,860	Rent Allowances	14,760
12,101	Housing Benefit Subsidy	11,745
483	Housing Benefit Admin Grant	434
260	Supporting People	-
139	Cost Of Collection Allowance	138
135	DCLG Local Council Tax Scheme Grant	110
80	DEFRA - Eco Stars	-
96	Office of the Police and Crime Commissioner Staffordshire	27
-	- New Burdens Property Searches	59
65	Elections	15
37	Other grants	58
28,256	Sub Total	27,346
	Amounts not reported to management for decision making	
-	Elections	156
28,256	Total	27,502

The other grants lines shown in the table above includes all grants received less than £50,000 each as these have not been identified separately.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

(i) **Current Liabilities**

2014/15 £000		2015/16 £000
	Revenue Grants Receipts in Advance	
9	Other	9
20	Commuted Sums	3
42	Section 106 Developers Revenue Contributions	70
71	Total	82
2014/15 £000		2015/16 £000
	Capital Grants Receipts in Advance	
759	Section 106 Developers Capital Contributions	859
759	Total	859

The Council does not hold a donated assets account.

37. 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

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in Note 33. Details of member's interest are recorded in the Register of Members' Interest maintained by the Council. During 2014/15 there were no significant works and services commissioned from companies in which members had an interest.

Officers

During 2015/16 there were no significant works of services commissioned from companies in which senior officers had an interest.

Other Public Bodies (subject to common control by central government)

There are no transactions with other public bodies in 2015/16 that are required to be disclosed.

Entities Controlled or Significantly Influenced by the Council

There are no transactions in 2015/16 with entities controlled by the Council that are required to be disclosed.

38. Capital Expenditure and Capital Financing

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

2014/15 £000		2015/16 £000
97,734	Opening Capital Financing Requirement	97,074
	Capital Investment	
11,743	Property, Plant and Equipment	16,281
237	Intangible Assets	237
458	Revenue Expenditure Funded from Capital under Statute	817
	Sources of finance	
(762)	Capital receipts	(2,234)
(2,334)	Government grants and other contributions	(2,694)
(2,986)	Major Repairs Reserve	(2,723)
	Sums set aside from revenue:	
(6,355)	Direct revenue contributions	(9,425)
(435)	Minimum Revenue Provision (MRP)	(632)
(9)	Walsall Debt Repayment	(8)
(217)	Finance Lease Payment	(274)
97,074	Closing Capital Financing Requirement	96,419
	Explanation of movements in year	
(660)	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(655)
(660)	Increase/(decrease) in Capital Financing Requirement	(655)

The Council has advanced £2m with Lloyds Banking Group as part of the Local Authority Mortgage Scheme. This scheme is aimed at first time buyers and the advance reflects the Council's share of financial assistance though the provision of an indemnity. Lloyds Bank plc. required a five year deposit from the Council to match the five year life of the indemnity. The deposit placed with the bank provides an integral part of the mortgage lending and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the Council, the returned funds are classed as a capital receipt and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

At 31st March 2016 there were 42 completed loans with an estimated indemnity amount of £931,413. The full cumulative interest accrued of £109,024 has been put aside for potential defaults. It should be noted that to date there have been no defaults on mortgages advanced through the scheme.

39. Leases

Council as Lessee

Financing Lease of Vehicles

The Council has a number of leases for refuse vehicles which expired in 2015/16. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet.

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

31 March 2015 £000		31 March 2016 £000
274	Current Finance lease Liabilities	-
-	- Non Current	-
73	Finance costs payable in future years	-
<u>347</u>	Minimum Lease Payments	<u>-</u>

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

31 March 2015			31 March 2016	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
347	274	Not later than one year	-	-
-	-	Later than one year and not later than five years	-	-
-	-	Later than five years	-	-
<u>347</u>	<u>274</u>		<u>-</u>	<u>-</u>

Operating Lease of Property

The Council has an operating lease of Rugeley Market Hall. The Council owns the freehold of this property.

The future minimum lease payments under non cancellable leases are:

2014/15 £000		2015/16 £000
247	Not later then one year	259
913	Later than one year and not later than five years	920
12,470	Later than five years	12,255
<u>13,630</u>		<u>13,434</u>

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to this lease was:

2014/15 £000		2015/16 £000
247	Minimum Lease Payments	259
<u>247</u>		<u>259</u>

Finance Lease of Property

The Council has a finance lease of the land at Rugeley Leisure Centre for a period of 50 years from 2004 at a peppercorn rent. The asset acquired under this lease is carried as Other Land and Buildings in the Balance Sheet.

Council as Lessor

Finance Leases

The Council has a finance lease in respect of the Hednesford Gateway scheme where a 250 year lease has been granted on the assets. The Council does not receive any rentals but a premium on the disposal of £720,000 has been received. The Council retains the freehold.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for community services through the provision of various premises
- for economic development purposes by providing business premises for rental

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

31 March 2015 £000		31 March 2016 £000
683	Not later than one year	498
1,745	Later than one year and not later than five years	1,629
<u>42,384</u>	Later than five years	<u>41,227</u>
<u>44,812</u>		<u>43,354</u>

40. Impairment Losses

The impairment losses for 2015/16 were £96,000 (2014/15 £250,000).

41. Termination Benefits

The Council terminated the contracts of 3 employees in 2015/16 incurring liabilities of £19,000 (£293,000 in 2014/15) - see Note 34 for the number of exit packages and total cost per band.

Of this total £10,000 is in respect of redundancy costs, £3,000 compromise agreement and £6,000 for ill-health retirement.

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Staffordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Staffordshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Staffordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account, the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment 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 the Council 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.

2014/15 £000		2015/16 £000
	Comprehensive Income and Expenditure Statement	
	Service Cost	
2,618	Current service cost	3,280
17	Past service cost (including curtailments)	59
<u>2,635</u>	Total Service Cost	<u>3,339</u>
	Financing and Investment Income and Expenditure	
(3,403)	Interest income on scheme assets	(2,895)
<u>6,228</u>	Interest cost on defined benefit obligation	<u>5,408</u>
2,825	Total Net Interest	2,513
<u>5,460</u>	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	<u>5,852</u>
	Remeasurements of the Net Defined Liability Comprising:	
(8,466)	Return on plan assets excluding amounts included in net interest	1,961
-	actuarial (gains) / losses arising from changes in demographic assumptions	
20,509	actuarial (gains) / losses arising on changes in financial assumptions	(14,322)
(1,313)	Other	(2,298)
<u>10,730</u>	Total remeasurements recognised in other comprehensive income	<u>(14,659)</u>
<u>16,190</u>	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>(8,807)</u>
	Movement in Reserves Statement	
(5,460)	reversal of net charges made to the (surplus) or deficit on the provision of Services	(5,852)
2,843	Employers Contributions Payable to the Scheme	3,402

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2014/15 £000		2015/16 £000
(91,370)	Fair value of employer assets	(90,518)
163,268	Present value of funded liabilities	151,755
6,161	Present value of unfunded liabilities	5,597
<u>78,059</u>	Net Liability arising from the Defined Benefit Obligation	<u>66,834</u>

There is a difference between the pension liability and the pension reserve balance of £1,263,000 (2014/15 £2,247,000). This reflects the amount of the actual past deficit payment made to the pension fund as compared to the amount due under statutory arrangements as reflected in the Pension reserve.

Reconciliation of the Movements in the Fair Value of Scheme Assets

2014/15 £000	2015/16 £000
78,913	91,370
3,403	2,895
Remeasurement gain/(loss)	
8,466	(1,961)
5,090	2,418
673	674
(5,175)	(4,878)
<u>91,370</u>	<u>90,518</u>
Closing Fair Value of Scheme Assets	

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

2014/15 £000	2015/16 £000
145,872	169,429
2,618	3,280
6,228	5,408
673	674
Remeasurement (gains)/losses:	
-	-
20,509	(14,322)
(1,313)	(2,298)
17	59
(5,175)	(4,878)
<u>169,429</u>	<u>157,352</u>
Closing Fair Value of Scheme Liabilities	

Local Government Pension Scheme Assets comprised:

Period Ended 31 March 2016

Period Ended 31 March 2015

	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000
Equity Securities								
Consumer	6,450	-	6,450	7%	7,836	-	7,836	9%
Manufacturing	5,277	-	5,277	6%	-	-	-	0%
Energy and utilities	2,064	-	2,064	2%	2,375	-	2,375	3%
Financial Institutions	5,837	-	5,837	7%	5,832	-	5,832	6%
Health and Care	4,863	-	4,863	5%	3,835	-	3,835	4%
Information Technology	5,513	-	5,513	6%	3,544	-	3,544	4%
Other	107	-	107	0%	7,024	-	7,024	8%
Debt Securities								
Corporate Bonds investment grade	4,555	-	4,555	5%	6,936	-	6,936	8%
Private Equity								
All	-	2,832	2,832	3%	-	2,903	2,903	3%
Real Estate								
UK Property	-	8,035	8,035	9%	-	7,436	7,436	8%
Investment Funds and Unit Trusts								
Equities	30,766	-	30,766	34%	30,280	-	30,280	33%
Bonds	4,623	-	4,623	5%	4,884	-	4,884	5%
Hedge Funds	-	2,119	2,119	2%	-	2,184	2,184	2%
Other	-	2,533	2,533	3%	-	2,691	2,691	3%
Cash and Cash Equivalents								
All	4,944	-	4,944	6%	3,610	-	3,610	4%
Total Assets	74,999	15,519	90,518	100	76,156	15,214	91,370	100

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council operated Fund based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary have been:

2014/15	2015/16
Mortality assumptions	
Longevity at 65 for current pensioners:	
22.1 Men	22.1
24.3 Women	24.3
Longevity at 65 for future pensioners:	
24.3 Men	24.3
26.6 Women	26.6
2.4% Rate of Inflation	2.2%
4.3% Rate of increase in salaries	4.2%
2.4% Rate of increase in pensions	2.2%
3.2% Rate for discounting scheme liabilities	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2014/15.

Change in Assumptions at 31 March 2016	Approximate % Increase to Employee Liability %	Approximate Monetary Value £000
0.5% decrease in real discount rate	10%	15,118
1 year increase in member life expectancy	3%	4,721
0.5% increase in the salary increase rate	3%	4,036
0.5% increase in the pension increase rate	7%	10,866

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2016/17 financial year.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £3,076,000 expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for the funding scheme members is 17.4 years 2015/16. This can be analysed further as follows:

	2015/16	
	Liability Split %	Weighted Average Duration Yrs
Active Members	47.4	23.0
Deferred Members	11.4	22.7
Pensioner Members	41.2	12.2
Total	100.0	17.4

43. Contingent Liabilities

Municipal Mutual Insurance

Under the Municipal Mutual Insurance Limited Scheme of Arrangement, the Council has a potential claw-back should there be a deficit in the winding up of the company. An initial payment was made in 2013/14 for £63,000 based on a 15% levy notice, in 2015/16 a further creditor provision of £44,897 has been made to increase to a 25% levy. As there is no certainty on the remaining liability this has been left as a contingent liability. It is the view of the Board at 31 March 2016 that a solvent run off of the Company's business cannot be guaranteed.

44. Contingent Assets

There are no contingent assets at 31 March 2016.

45. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury section, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.)

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's sundry debtors.

This risk is minimised through the Annual Investment Strategy, which 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 & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies - Fitch, Moodys and Standard and Poors, forming the

core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays.

- credit watches and credit outlooks from credit rating agencies;
- sovereign ratings to select counterparties from only the most creditworthy countries
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings

The Annual Investment Strategy for 2015/16 was approved by Full Council on 11 February 2015 and is available on the Council's website.

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 Council's maximum exposure to credit risk in relation to its investments in banks and building societies is £12.4 million at 31 March 2016. The credit risk cannot be assessed generally as a risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to happen. The Government's deposit protection arrangements will limit any losses due to the guarantee given to the banks covered by the guarantee.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2016 % C	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000 (A x C)	Estimated maximum exposure at 31 March 2015 £000
Customers (Sundry Debtors)	3,345	0.2	1	7	30
				<u>7</u>	<u>30</u>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers (sundry debtors), such that £3.345m of the debtors balance of £3.089m shown in note 16 is past its due date for payment. This balance can be analysed as follows:

31 March 2015 £000	31 March 2016 £000
- Less than three months	325
- Three to six months	47
- Six months to one year	35
769 Less than one year	-
2,210 More than one year	2,938
2,979	3,345

The above table shows a more detailed analysis of the debtors balance for less than one year from 2015/16 .

During the period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA 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 PWLB and money markets for access to 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 risk that it will be unable to raise finance to meet it's commitments under financial instruments.

All sums owing £12.4 m are due to be paid in less than one year.

Refinancing and 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 to replacing the financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury section address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2015 £000	31 March 2016 £000
1,105 Less than one year	1,172
- Between one and two years	2,600
3,400 Between one and five years	-
81,605 More than five years	81,605
86,110	85,377

The table above shows a more detailed breakdown of the financial liabilities from 2015/16.

All debtors and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the borrowings will fall (no impact on revenue balances)
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its planned treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The finance section will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(240)
Impact on Surplus or Deficit on the Provision of Services	<u>(240)</u>
Decrease in fair value of fixed rate investment assets	17
Impact on Other Comprehensive Income and Expenditure	<u>17</u>
Increase in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(18,245)

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

Price Risk

The Council does not generally invest in equity instruments or marketable bonds but does have investments in

certificates of deposit to the value of £1.003m at 31 March 2016.

These are all classified as Available for Sale meaning that all movements in price will impact on gains and losses recognised in the Available for sale reserve. A general shift of 5% in the certificate of deposit rate payable (positive or negative) would have resulted in a very small gain or loss being recognised in the Available for Sale reserve.

Foreign Exchange Risk

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

46. Trust Funds

The Council as at 31 March 2016 administers two Trust Funds on behalf of third parties which do not form part of the Council's Consolidated Balance Sheet.

The funds are:

- Benton's Trust**
 To provide a drinking trough for animals and improvements to the public conveniences in or near the Market Place, Cannock.
- Cannock Park Trust**
 Cannock Park is run by Cannock Chase Council as Trustees for the Cannock Park Trust. The land was placed in Trust in 1930 to be held by the Council for the purpose of providing a public recreation or pleasure ground for the use and benefit of the inhabitants of Cannock Chase Council. All revenue and income accruing from the land is used for the upkeep and maintenance of the land. Income is derived from the various sporting activities undertaken on the land. Expenditure by the Council on grounds maintenance and upkeep exceeds income. The Trust is registered with the Charity Commission.

	Income £	Expenditure £	Assets £	Liabilities £
2015/16				
Benton's Trust	(71)	-	(14,147)	-
Total	(71)	-	(14,147)	-

	Income £	Expenditure £	Assets £	Liabilities £
2014/15				
Benton's Trust	(70)	-	(14,147)	-
Total	(70)	-	(14,147)	-

47. Deferred Liabilities

This relates to transferred assets loan debt that was part of the Local Government Reorganisation involving the transfer of assets between Aldridge/ Brownhills UDC and Cannock Chase Council. The debt is administered by Walsall MBC with loans outstanding as at 31 March 2016 of £68,000.

2014/15 £000		2015/16 £000
12	Principal and Interest - OLA's	12
<u>12</u>		<u>12</u>

48. Long Term Borrowing

Balance 31 March 2015 £000	Source Of Loan	Ranges Of Interest Rates Payable %	Balance 31 March 2016 £000
800	Public Works Loan Board	1.47 - 2.91	-
60,745	Public Works Loan Board	3.48 - 3.92	60,745
14,100	Public Works Loan Board	4.05 - 4.97	14,100
1,400	Public Works Loan Board	6	1,400
5,360	Public Works Loan Board	7.375 - 8	5,360
2,600	Public Works Loan Board	9.875 - 10.375	2,600
<u>85,005</u>			<u>84,205</u>

Balance 31 March 2015 £000	Analysis of Loans by Maturity	Balance 31 March 2016 £000
-	1 to 2 years	-
3,400	2 to 5 years	2,600
1,400	5 to 10 years	4,400
80,205	over 10 years	77,205
<u>85,005</u>		<u>84,205</u>

49. Heritage Assets Five Year Summary of Transactions

There have been no acquisitions or disposals of the Council's heritage assets in the five year period ended 31 March 2016.

50. Heritage Assets - Further Information on the Collections

Museum

The Museum of Cannock Chase has a collection of artefacts in relation to local services, industrial and military history along with items relating to the history of toys. The total number of items on display or held in collections is approximately 20,000. The majority of artefacts are held in trust for public benefit.

The Museum operates within the terms required by Museum Accreditation. The Collections Management Policy for the Museum provides guidance on preservation and management of artefacts. The Museum also holds a manual governing control of documentation concerning artefacts.

Access to artefacts is available to items being on display during the Museum opening hours or by appointment with the Museum Collections Officer for items held in store.

Civic Regalia

The Council's Civic Regalia includes items such as civic chains and items in connection with civic duties. Items are held and governed under Council regulations and procedures governing all Council assets.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2014/15 £000	Notes	2015/16 £000
Income		
19,810		19,743
422		394
91		87
340		301
20,663		20,525
Expenditure		
4,174		4,332
3,088		2,494
334		885
8		10
183		183
9,977	4	13,901
17,764		21,805
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.		
644		666
(2,255)		1,946
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(310)		(166)
464		534
3,460		3,425
3		3
(1)		-
(1,871)		(360)
(510)		5,382

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2014/15 £000	2015/16 £000
(510) HRA Income and Expenditure (Surplus) / Deficit	5,382
310 Gain / (Loss) on sale of HRA Non current assets	166
(464) Pooling of Capital Receipts	(534)
1,871 Reversal of Capital Grants & Contributions receivable	360
(1,069) Transfer to Reserves	(1,733)
(9,926) Reversal of Depreciation / Impairment Charge	(13,818)
- Reversal of EP provision write back	
3,053 Transfer to / from Major Repairs Reserve	3,223
9 HRA Principal	223
13 Pension Adjustment	(78)
(13) Holiday Pay Adjustment	6
5,894 Capital Expenditure funded by the HRA	8,801
(832) (Surplus) / Deficit for the year on HRA Services	1,998
2,795 Balance Brought Forward	3,627
3,627 Balance Carried Forward	1,629

NOTES TO THE HOUSING FINANCIAL STATEMENTS

1. HRA Account

Housing Revenue Account Income and Expenditure Statement reflects a statutory obligation to account separately for local authority housing provision. Income and Expenditure on Council housing is 'ring fenced' within the HRA. The statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA statement.

The specific requirements for notes to the HRA financial statements are derived from the HRA (Accounting Practices) Directions 2011.

2. Housing Stock

(i) Council Dwellings Analysis

As at 31 March 2016 the Council was responsible for 5,135 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2015	Increase/ Decrease	Stock as at 31 March 2016
Flats			
1 Bedroom	806	(3)	803
2 Bedroom	249	(5)	244
3 Bedroom	5	-	5
4 Bedroom	1	-	1
Total	1,061	(8)	1,053
Houses & Bungalows			
1 Bedroom	1,292	(6)	1,286
2 Bedroom	1,172	(2)	1,170
3 Bedroom	1,579	(13)	1,566
4+ Bedroom	57	3	60
Total	4,100	(18)	4,082
Total HRA Dwellings	5,161	(26)	5,135

(ii) Valuation of Housing Property, Plant & Equipment

Net Book Value 31 March 2015 £000	Net Book Value 31 March 2016 £000
139,231 Council Dwellings	134,774
8,469 Other Land & Buildings	7,865
485 Vehicles, Plant & Equipment	645
- Intangibles	462
148,185	143,746

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2015 was £402,151,000. The vacant possession value and balance sheet value of dwellings within the Housing Revenue Account show the economic cost to Government of providing council housing at less than open market rents.

3. Rent Arrears

Arrears at the 31 March 2016 was £1.301m (31 March 2015 £1.276m)

2014/15 £000		2015/16 £000
304	Tenants Arrears - Current	364
972	Tenants Arrears - Former	937
<u>1,276</u>	Total Arrears	<u>1,301</u>

The provision for bad debts at as the 31 March 2016 is £1.067m (31 March 2015 £1.015m).

4. Depreciation and Impairment Charges

(i) Depreciation

2014/15 £000		2015/16 £000
1,853	Dwellings	1,823
590	Other Operational Assets	642
131	Vehicles	92
<u>2,574</u>		<u>2,557</u>

(ii) Impairment Charges

2014/15 £000		2015/16 £000
7,403	Impairment	11,344 *
<u>7,403</u>		<u>11,344</u>

* This figure is included within the Revaluation increase / (decrease) figure of (£11,648) shown in note 12.

The impairment charge has increased from 2014-15 by £3.941 million this is due to the demolition of council dwellings to enable new properties to be built on existing land and the write down of expenditure on works to council properties to Existing Use Value - Social Housing (EUV-SH).

Impairment charges are made in relation to the treatment of stock held for demolition or disposal at reduced value. In accordance with Central Government Policy the Housing properties were valued on a 'Beacon Property' basis. This is where sample properties of differing size and from different locations are valued and these values are then applied to the remaining housing stock. Built into beacon valuation is an element for impairment in recognition that at any one time the total of the housing stock cannot be maintained to the highest state of repair.

Revised guidance was issued in 2011/12 for Housing Stock Valuations. The last was issued in 2005 with the new guidance from DCLG reflecting material changes arising from the introduction of International Financial Reporting Standards and valuation standards as determined by the Royal Institute of Chartered Surveyors (RICS). The main change however relates to the determination of the Existing Use Value for Social Housing. This value can be obtained by taking the cost of buying a vacant dwelling of similar type, and applying an adjustment factor according to the type of tenancy and according to the type of tenancy and regional factors to reflect the fact that the property is used as social housing. Revised guidance now reduces or adjusts valuations for the West Midlands area to 34% of their gross value.

5. Capital

(i) Summary of Capital Expenditure

2014/15 £000		2015/16 £000
	Expenditure	
10,428	On Housing Properties	12,407
237	On Housing Intangibles	237
131	On Housing Equipment	70
40	On Housing Vehicles	208
<u>10,836</u>		<u>12,922</u>
	Financing	
465	Usable Capital Receipts	840
5,527	Revenue Contributions to Capital	8,469
367	Reserves	332
2,986	Major Repairs Reserve	2,723
1,491	Grants	298
<u>10,836</u>		<u>12,662</u>
	- Increase in underlying borrowing	(260)

(ii) Major Repairs Reserve

As part of the introduction of resource accounting to the Housing Revenue Account the Government introduced a new funding mechanism called the Major Repairs Allowance. Local authorities have the flexibility to spend the resource outside the financial year in which they are allocated, enabling more efficient planning of works.

	£000
Balance at 1 April 2015	817
Transfer to Major Repairs Reserve	3,223
Financing of Capital spend	<u>(2,723)</u>
Balance at 31 March 2016	<u>1,317</u>

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non Domestic Rates.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund (surpluses) / deficits for Council Tax declared by the billing authority (15 January in each year) are apportioned to the relevant precepting authorities in the subsequent financial year. The major precepting authorities are Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

In 2013/2014 the local government finance regime was revised with the introduction of the Business Rates Retention Scheme. Business Rates now forms part of the funding of local authorities whereby the income is shared between the Government/County Council/Fire Authority and the District Council. Cannock Chase District Council are set a predetermined overall level of Business Rates income and retain 40% of that figure; any growth above that level is then subject to a 50% levy that is paid to the Greater Birmingham and Solihull Business Rates Pool. Surpluses and deficits declared by the billing authority on 30 January each year are apportioned to the precepting bodies in the subsequent financial year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet is incorporated into the Council's consolidated Balance Sheet.

2014/15		Business Rates	2015/16 Council Tax	Total
Total		£000	£000	£000
Income				
40,326	Council Tax Receivable	-	41,357	41,357
35,698	Business Rates Receivable	36,263	-	36,263
224	Transitional Protection Payments Receivable	102	-	102
76,248	Total Income	36,365	41,357	77,722
Expenditure				
Precepts and Demands				
29,113	Staffordshire County Council	3,273	28,175	31,448
19,130	Cannock Chase District Council	14,547	5,406	19,953
563	Parishes	-	569	569
2,060	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	364	1,855	2,219
4,486	Office of the Police and Crime Commissioner Staffordshire	-	4,778	4,778
17,601	Payments to Central Government	18,183	-	18,183
72,953		36,367	40,783	77,150
Charges to Collection Fund				
471	Write offs of uncollectable amounts	311	212	523
882	Increase / (reduction) in bad debts provision	(349)	409	60
-	Interest	2		2
3,630	Increase / (reduction) in provision for appeals	(19)	-	(19)
139	Costs of Collection	138	-	138
945	Distribution of previous years Collection Fund Surplus / (Deficit)	(677)	-	(677)
79,020	Total Expenditure	35,773	41,404	77,177
2,772	(Surplus)/Deficit for Year	(592)	47	(545)
Movement of Collection Fund Balances				
2,616	Balance brought Forward	5,545	(157)	5,388
2,772	Add (Surplus)/Deficit for the Year	(592)	47	(545)
5,388	Balance Carried Forward	4,953	(110)	4,843

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Council Tax Base and Council Tax Levels

Council Tax income is derived from charges made to taxpayers according to the value of residential properties. Charges are levied in accordance with the valuation band assigned to a property.

The calculation of the Council Tax chargeable in any year is obtained by dividing the total of the precepts and the demands made on the fund by the Council's Tax Base, which represents the total equivalent number of Band D properties as adjusted for discounts and an estimated collection rate of 98.5%. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

Band	Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A Disabled	48.00	5/9	26.67
A	11,934.50	6/9	7,956.33
B	12,084.25	7/9	9,398.86
C	7,088.00	8/9	6,300.44
D	4,434.00	1	4,434.00
E	1,597.00	11/9	1,951.89
F	547.50	13/9	790.83
G	244.75	15/9	407.92
H	9.00	2	18.00
	37,987.00		31,284.94
		Other Adjustments and Discounts	(4,382.06)
			26,902.88

The Council Tax base for 2015/16 was 26,902.88 (2014/15 £26,409.89).

2. Council Tax Chargeable for a Band D Property

2014/15 Council Tax £		2015/16 Precept £000	Council Tax £
1,027.25	Staffordshire County Council	28,175	1,047.28
200.95	Cannock Chase District Council	5,406	200.95
21.30	Parish Council (Average)	569	21.14
177.61	Office of the Police and Crime Commissioner - Staffordshire	4,778	177.61
67.64	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	1,855	68.96
1,494.75	Total	40,783	1,515.94

Individual amounts chargeable are derived from the above according to property banding and individual Parish Demands.

3. Non-Domestic Rates (NNDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area.

The rates payable, subject to relief's and reductions, are calculated on the basis of Rateable Value of individual properties (provided by the Valuation Office Agency) multiplied by a specified rate as determined by Central Government. The specified rate for 2015/16 was 49.3p (2014/15 48.2p).

The total non-domestic rateable value at 31 March 2016 was £88.076M (£88.336M at 31 March 2015).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares.

4. The Fund Balance

The movement in the Council Tax Collection Fund Balance is summarised as follows:

2014/15 Fund Balance at 31 March 2015 £000	2015/16	
	(Surplus) / Deficit in year (Net Position) £000	Fund Balance at 31 March 2016 £000
(23) Cannock Chase District Council	7	(16)
(109) Staffordshire County Council	33	(76)
(18) Office of the Police and Crime Commissioner - Staffordshire	5	(13)
(7) Stoke-on-Trent and Staffordshire Fire and Rescue Authority	2	(5)
<u>(157)</u>	<u>47</u>	<u>(110)</u>

The movement in the Business Rates Collection Fund Balance is summarised as follows:

2014/15 Fund Balance at 31 March 2015 £000	2015/16	
	(Surplus) / Deficit in year (Net Position) £000	Fund Balance at 31 March 2016 £000
2,218 Cannock Chase District Council	(237)	1,981
499 Staffordshire County Council	(53)	446
2,772 Central Government	(296)	2,476
56 Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(6)	50
<u>5,545</u>	<u>(592)</u>	<u>4,953</u>

The surplus for the year includes a distribution of the estimated surplus of £0.677 million as at 15 January 2015 position.

5. Precepts and Demands on the Collection Fund

The following authorities have made a Precept / Demand on the Collection Fund:

2014/15 Precept/ Demand less Share of Surplus £000	Council Tax	2015/16	
		Precept/ Demand for Year £000	Precept/ Demand for Year £000
5,050	Cannock Chase District Council	5,406	-
563	Parishes	569	-
25,945	Staffordshire County Council	28,175	-
4,486	Office of the Police and Crime Commissioner - Staffordshire	4,778	-
1,708	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	1,855	-
<u>37,752</u>		<u>40,783</u>	<u>-</u>

The following authorities have made a demand on the Collection Fund for Business Rates (the Demand is determined in accordance with regulations) and reflects the estimate outturn reported to Government and other precepting bodies in the NNDR1 return and the designated percentage share:

2014/15		2015/16
Precept/ Demand		Precept/ Demand
for		for
Year	Business Rates	Year
£000		£000
14,080	Cannock Chase District Council (40%)	14,547
3,168	Staffordshire County Council (9%)	3,273
17,601	Central Government (50%)	18,183
352	Stoke-on-Trent and Staffordshire Fire and Rescue Authority (1%)	364
35,201		36,367

The precept / demand for the year includes the recovery of the deficit recorded in NNDR1 of £0.676million in accordance with statutory requirements.

The amount in relation to Cannock Chase District Council forms part of the General Fund accounts and is subject to the Tariffs and Levy arrangements of the Business Rates Funding Regime.

6. Provision for Appeals

As at 31 March 2016 the estimated value of valid appeals against Rateable Value amounts to £35.959 million. The provision reflects an estimated liability covering the period 1 April 2010 to 31 March 2016 (£35.863 million) and 1 April 2005 to 31 March 2010 (£0.096 million).

GLOSSARY OF FINANCIAL TERMS

For the purpose of the Statement of Accounts and the interpretation of CIPFA's Code of Practice, where appropriate, the following definitions have been adopted.

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the local authority.

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. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Agent

This is where the council when providing a service is acting as an intermediary which is not part of the councils core business.

Balance Sheet

This shows a summary of the overall financial position of the Council at the end of the financial year.

Balances

The total level of funds an authority has accumulated over the years available to support the revenue expenditure within the year.

Business Rates

The level of business rates income eligible for pooling under the business rates retention funding regime.

Capital Adjustment Account

This reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.

Capital Charges

Charges to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.

Capital Expenditure

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

Capital Receipts Reserve

Income received from the sale of capital assets a specified proportion of which may be used to finance new capital expenditure. The balance is set aside in the form of a provision to meet credit liabilities.

Carrying Amount

This is the amount at which an asset is recognised on the balance sheet after deducting any accumulated depreciation and impairment.

Cash Equivalents

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value. Cash equivalents are investments that mature in 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.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

Code of Practice

This is the Statement of Recommended Practice which was the framework for published accounts to 31 March 2016.

Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Collection Fund Adjustment Account

This account represents Stafford Borough Council's share of deficit on the Collection Fund and absorbs timing differences in distribution of surplus / deficits between statutory requirements and full accruals accounting.

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

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailement

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Creditors

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

Debtors

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

Deferred Credits

These consist of deferred capital receipts, which are amounts derived from the sales of assets which will be received in instalments over agreed periods of time.

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Depreciable Replacement Cost (DRC)

This is 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 relevant forms of obsolescence.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- the activities related to the operation have ceased permanently;
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.
- activities are discontinued where they cease completely and are not simply transferred to another part of the public sector.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Expected Rate of Return on Pension Assets

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term includes trade receivables and payables, borrowings, financial guarantees, bank deposits, investments, swaps, forwards and options, debt instruments with embedded swaps or embedded options.

Financial Reporting Standards (FRS)

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

Financial Year

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

GAAP

GAAP (Generally Accepted Accounting Principles), is the standard framework of guidelines for financial accounting. It includes standards, conventions and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.

General Fund

The total services of The Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and NNDR.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to a local authority in return for past or future compliance with certain conditions relating to the activities of the local authority.

Heritage assets

These are assets held by the council principally for their contribution to knowledge and culture, it does not relate to assets used in the delivery of services.

Housing Revenue Account (HRA)

A separate account that details the expenditure and income arising from the provision of council housing.

HRA Subsidy

Grant paid by Central Government to support the provision of rented housing.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Income and Expenditure Account

The Income and Expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and the Collection Fund. It is structured on the basis of the private sector and thereby excludes calculations done due to statutory and non statutory practices e.g. gains and losses on the sale of losses on the sale of property, plant and equipment and statutory provision for the repayment of debt.

Infrastructure Assets

These are non-transferable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are bus stations and car parks.

Intangible Assets

Intangible assets are those assets whereby access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Examples include development expenditure and goodwill.

Infrastructure Assets

Property, plant and equipment that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

Interest Cost

For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties

Interest in land and/or buildings:

- in respect of which construction work and development have been completed and
- is held for its investment potential, any rental income being negotiated at arms length

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Leasing

Method of financing the provision of various capital assets, usually in the form of an operating lease, which do not provide for the title to the asset to pass to the Council.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a

distortion of the view given by the financial statements.

Major Repairs Allowance

This is part of the Housing Subsidy calculation which provides a capital grant for Housing Revenue Account properties. It is used to match the depreciation charge on Housing Revenue Account dwellings.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to a Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are subject to arrangements as determined under the business rates retention scheme.

Net Book Value

Amount at which property, plant and equipment is included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value

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

Non Distributed Costs

These are overheads that are not apportioned to services to accord with CIPFA's Best Value Accounting Code of Practice.

Non-Operational Assets

Property, plant and equipment held by a local authority but not directly occupied, used or consumed in the delivery of service. Examples of non-operational assets 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

Property, plant and equipment held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

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

Precept

Demands made upon the collection fund by other authorities (Staffordshire County, Police and Fire Authorities) for the services that they provide.

Principal

This is when the council is providing a service as part of its own core business.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

Property, plant and equipment

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

Provisions

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

Prudence

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

Public Works Loan Board (PWLB)

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

Related Party

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

Reserves

Sums set aside to meet future expenditure for specific purposes.

Revaluation Reserve

This is used to record the net gain from revaluations made after 1 April 2007.

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 (Formerly Deferred Charges)

Expenditure that is not capital in accordance with generally accepted accounting principles but which statute allows to be funded from capital resources.

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the SSA system.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SeRCOP

SeRCOP (Service Reporting Code of Practice) provides guidance on local authority financial reporting to stakeholders below the Statement of Accounts level. It aims to ensure consistency in reporting across local authorities.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Termination Benefits

These are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Useful Life

Period over which the local authority will derive benefits from the use of property, plant and equipment.

CANNOCK CHASE DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT FOR 2015-16

1. Scope of Responsibility

- 1.1 Cannock Chase District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which require all relevant authorities to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the Annual Governance Statement.

3. The Governance Framework

3.1 The 6 key principles of good governance together with the key elements of the systems and processes that supports these principles and an assessment of their adequacy is outlined below.

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- The Council's mission and the intended outcomes for citizens and service users are outlined in the Corporate Plan. The Council's mission and its strategic objectives are reviewed annually. The Council's priorities are identified through research, consultation and community engagement and these are translated into strategic objectives. The Council's Strategic objectives are approved and incorporated into the Corporate Plan and Priority Delivery Plans.
- The Council has a performance management framework to ensure delivery of the strategic objectives. The priorities are cascaded through the authority via the Corporate Plan, the Priority Delivery Plans, service delivery plans and employees' personal development reviews.
- Performance indicators are established and monitored on a regular basis. Leadership Team, Cabinet and the Scrutiny Committees receive quarterly performance reports. They monitor and scrutinise the performance of services and the achievement of targets. Heads of Service and Service Managers are held to account for the performance of their service areas. Performance is also managed through service business plans and individual employee personal development reviews.
- The Council's budget is aligned to the Council's aims and objectives. The Council has a comprehensive budget strategy, medium term financial plan and robust budget monitoring process, which provides sound financial management and regular reporting of financial management information for both revenue and capital budgets.
- The Council has a number of mechanisms in place to ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its services are delivered:
 - Continuous improvement is driven via the Corporate Plan, the Priority Delivery Plans and the Council's performance management framework. This provides monitoring reports to Leadership Team, Cabinet and the Scrutiny Committees;
 - The Council has appropriate mechanisms (ie Financial Regulations and Contract Procedure Rules) in place to ensure that value for money is achieved through the procurement of goods and services.
 - From time to time, services are tested against other authorities using national benchmarking exercises, which include VFM comparators.
- Appropriate governance arrangements are put in place for each partnership eg the Local Strategic Partnership. Service Level Agreements have been put in place to ensure adequate governance of the 7 services which are shared with Stafford Borough Council.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Council operates under the Leader and Cabinet model. The Council's Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes the Scheme of Delegation which identifies those areas of decision-making and day-to-day operations that have been delegated to Senior Officers and those matters reserved for Members.
 - There is a Protocol for Officer / Member relations as part of the Constitution to assist in defining the separate roles and aid appropriate communication.
 - The Council has 3 statutory officers in place:
 - Head of Paid Service – the Managing Director – overall responsibility for the day-to-day management of the Council
 - The s151 Officer – the Head of Finance – has overall responsibility for for the proper administration of the council's financial affairs and ensuring that public money is safeguarded at all times. The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:
 - he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy;
 - he is a member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
 - he leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
 - The Head of Finance ensures that there is a robust financial framework and medium term financial strategy in place.

In delivering these responsibilities he directs a finance function that is resourced to be fit for purpose and includes staff that are professionally qualified and experienced.

 - The Monitoring Officer - the Head of Law & Administration at SBC has been appointed as the Monitoring Officer and is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with. The Council also has in place a protocol to define the role of the Monitoring Officer. He reports to the Council, Executive and Committees with legal implications being referred to the Legal Shared Service, which employs qualified and experienced staff.
- A corporate Leadership Team which includes the 3 statutory officers is in place to support the Cabinet and the Scrutiny Committees, and to manage operational services.
- Members allowances are dealt with by an independent panel. The Council's Pay Policy details the arrangements for paying employees. Chief Officers' salaries have been determined through a Hay Evaluation process and other employees grades are determined through the job evaluation process / Single Status agreement.

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- There are Codes of Conduct in place for Members and Employees. The Codes of Conduct have been approved and adopted by the Council and are available to all members and officers as part of the Constitution.
- The Codes of Conduct require Members and employees to declare specified outside interests, which could influence decision making.
- Any complaints about Members' conduct are dealt with by the Standards Committee. A procedure for handling complaints has been approved by Council. Complaints about employees conduct can be initiated through various mechanisms.
- Training is offered to Members annually on the Code and whenever changes are made to it. Employees are given a copy of the Code of Conduct as part of their induction process.
- The Council's values have been reviewed and are integral to the Corporate Plan. Employees and Members have been made aware of the new Values.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- There are 6 Scrutiny Committees in place to monitor and challenge the performance of the Council and partner organisations where appropriate. There is a Call-in process in place to challenge where appropriate decisions made by Cabinet.
- There is an Audit & Governance Committee in place, which is independent of the Cabinet and the Scrutiny Committees. The Committee's remit is to provide independent assurance on the adequacy of the risk management framework and the associated control environment. The Committee meets the key requirements of the CIPFA guidance on Audit Committees.
- Reports are prepared for the Cabinet which include all relevant information. All reports are consulted on with appropriate financial and legal officers and are accompanied by a comprehensive checklist signed off by the reports author. All reports that involve expenditure fully evaluate the financial implications of the proposal with any associated risks. Committee reports and minutes show reasons for decisions made.
- The Monitoring Officer ensures compliance with existing laws, regulations and established policies and procedures and is aware of and acts upon proposed changes to legislation. The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the process or decision being implemented until the report has been considered. A solicitor attends all of the Council's main committee meetings.
- The Head of Finance ensures that the financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution and that expenditure is lawful. The Head of Finance, with the assistance of the Internal Audit section, ensures the legality of financial transactions and compliance with Financial Regulations.
- There is a risk management policy and strategy in place. This provides for:-
 - the identification, prioritisation and control of strategic risks
 - monitoring of risk management action plans by the Leadership Team
 - regular reports to the Audit & Governance Committee on the progress in managing strategic risks; and
 - risk management implications are included in committee reports.

- There is a system of internal control in place. At the core of this is the Council's various policies, regulations and procedures eg Financial Regulations, Contract Procedure Rules, HR Policies, etc.
- Internal Audit review systems and their controls to provide assurance and recommendations for improvement. This work includes ensuring compliance with policies, procedures, laws and regulations. Internal Audit operates to an annual audit plan which is based on an assessment of risk to ensure that the areas of highest risk are reviewed.
- The Section 151 officer with the support of Internal Audit ensures that there are adequate financial control mechanisms in place to safeguard the Council's assets.
- The Council has in place a Confidential Reporting policy. The policy allows anyone to report concerns in confidence and not just employees. The Anti-Fraud & Corruption Policy includes a Fraud Response Plan and a Prosecution Policy. Procedures are in place for receiving and investigating complaints received.

5. Developing the capacity and capability of members and officers to be effective

Members:

- A formal Induction programme for Members takes place after each District Council election;
- In-house training is provided as and when necessary. Members attend external courses and conferences as appropriate.
- Members tend to assess their own skills and identify where training is required. For new issues, training is offered to Members as appropriate

Employees:

- Council services are provided by trained and experienced people. All posts have a detailed job description and person specification. Rigorous recruitment processes are in place followed up by induction training and on going training and development.
- The Council maintains a comprehensive framework to ensure that it's employees are adequately trained, this includes:
 - An Induction Programme is in place;
 - The development needs of employees are identified annually through the Personal Development Review process;
 - The HR & Training Advisor identifies courses where appropriate for common skills gaps;
 - Career development is encouraged through the Personal Development Reviews and opportunities provided for training, mentoring, secondments. There are development graded posts for trainees in certain professions; and
 - A competency framework is in place and this outlines the knowledge and skills expected of the Council's managers.

6. Engaging with local people and other stakeholders to ensure robust local public accountability

- The Council's Communications Strategy puts in place a variety of mechanisms to communicate with the community and other stakeholders. These include the Council's website, Chase Matters, specific groups, the Housing Hometalk magazine and the use of Social Media.

- The authority is open and accessible to the community, service users and its employees. The Council is accessible via the Contact Centre, Reception, website and social media. Engagement with the Community and stakeholders takes place through a variety of mechanisms:
 - Website
 - Social Media
 - Consultation Panel
 - Some specialist community groups in place.
- The Council is committed to openness and transparency in all its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. Meetings are held in public except where confidential issues are discussed and the law permits private meetings. The Council complies with the guidelines on publishing transparent data.

3.2 A key element of the Council's governance arrangements concerns safeguarding. Cannock Chase District Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services.

We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:

- Having a Child & Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
- Having child & adult protection processes which give clear, step-by-step guidance if abuse is identified
- Safeguarding training programme in place for staff and members
- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership

4. Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

- 4.2 **The Audit & Governance Committee** - monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud & corruption arrangements throughout the year.
- 4.3 **Internal Audit** – is responsible for reviewing the effectiveness of the Council’s system of internal control and reporting on its adequacy. Internal Audit is a key source of assurance for the Annual Governance Statement and as such it is essential that the Internal Audit function operates in accordance with best practice:
- (i) Internal Audit operates in accordance with the Public Sector Internal Audit Standards.
 - (ii) A review of the effectiveness of internal audit has been undertaken. This review has been undertaken via a self-assessment and a review by the Head of Governance. The review concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit.

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work undertaken on the annual audit plan for 2014-15 has been used to provide an independent view on the adequacy of the governance framework.

In their annual report to the Audit & Governance Committee, the Internal Audit section has independently assessed the Council’s internal control environment as being satisfactory overall based on their work during the year. Internal Audit have not identified any issues for inclusion in the Annual Governance Statement.

Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

- 4.4 **External Audit / Other Review Agencies** - during the year the Council received the following key reports:
- (i) Audit Findings (dated 8 September 2015 and reported to Audit & Governance Committee 17 September 2015); and
 - (ii) Annual Audit Letter (dated 14 October and reported to Audit & Governance Committee 24 November 2015).

The reports offered an unqualified opinion on the Council’s financial statements and its arrangements for value for money and effective use of resources. No significant concerns were identified.

4.6 **Risk Management** - during 2015/16 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. There are currently 2 red risks for inclusion as significant governance issues:

- Viability/Funding of Cannock Chase Council as a result of public expenditure reductions and changes to Government's funding regime; and
- Impact on viability/funding of the Council's HRA due to the new government housing policies.

One Amber Risk has been identified for inclusion through other assurance sources and is attributed accordingly.

4.7 **Statements of Assurance from Heads of Service** - assurances were sought from the Heads of Service as to the effectiveness of a number of aspects of the Governance Framework as it operates in their service areas. The following significant governance issue has been identified:

- The consequences of the Housing & Planning Act.

4.8 **Statements of Assurance from the Statutory Officers** - assurances have been sought from the Head of Paid Service (ie Managing Director), the Monitoring Officer (Head of Law & Administration at SBC) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance. The following have been identified as significant governance issues:

- Budgetary issues relating to reductions in public expenditure
- Management capacity and the Council's Strategic Priorities

4.9 **Leadership Team** – in addition to the individual Heads of Service and Statutory Officers assurances, the members of Leadership Team have been consulted on the draft annual governance statement and the significant governance issues that should be included within it.

4.10 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas to be addressed, including a number of issues outstanding from the previous AGS, are outlined below.

5. Significant Governance Issues

- 5.1 The Council's key governance issues for the year ahead relate to funding, capacity and public service reductions. These have been included as the first items in the action plan below. The latter few items are those that are outstanding from the previous AGS.

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
<p>Budgetary Issues</p> <p>The Council is facing a budget deficit in 2017-18 and 2018-19 arising from the Comprehensive Spending Review (CSR) and the loss of business rates arising from the closure of Rugeley Power Station.</p> <p>Work is ongoing to address this including progressing a transitional funding request, evaluating government consultation responses and determining and implementing a Financial Recovery Plan.</p>	<p>Managing Director and Head of Finance</p>	<p>December 2016</p>
<p>Management capacity and the Council's strategic priorities - this will be managed by establishing a clear link between the management capacity available and the delivery of the Council's agreed priorities. If management capacity has to be reduced further, it has to be linked to agreement on what priorities / services are no longer going to be delivered by the Council. This is linked to work on the Financial Recovery Plan.</p>	<p>Managing Director</p>	<p>December 2016</p>
<p>Public Service Reductions in the district of Cannock Chase</p> <p>Actions include:</p> <ul style="list-style-type: none"> • active approach to consultation on service changes; • understanding and identifying the impact across the district as a whole; and • working more closely with partners. 	<p>Managing Director</p>	<p>Ongoing</p>

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
<p>Housing & Planning Act</p> <p>Implementation of proposals from the Housing & Planning Act 2016 and the impact on viability/funding of the Council's HRA due to the new government housing policies:</p> <ul style="list-style-type: none"> • Pay to Stay • Starter Homes • Fixed Term Tenancies • Section 106 Dispute Resolution • Disposal of High Value Properties <p>Policies and Procedures to be developed as required.</p>	<p>Head of Housing & Waste Management</p>	<p>To be determined</p>
<p>Financial Regulations</p> <p>Now that the Procurement Regulations have been approved the review of the Financial Regulations can be completed.</p>	<p>Head of Finance</p>	<p>October 2016</p>
<p>Code of Governance</p> <p>This is out of date (due to changes in the senior management structure).</p> <p>The new Cipfa/SOLACE Code of Governance is due out in April. The Council's Code will be updated following this.</p>	<p>Head of Governance</p>	<p>September 2016</p>
<p>Employees' Code of Conduct</p> <p>This has not been reviewed for some years and needs to be updated. Now the review of Values has been completed, these will be incorporated into the Employees Code of Conduct.</p>	<p>Head of Human Resources, Head of Law & Administration and Head of Governance</p>	<p>November 2016</p>

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
<p>Information Governance – an information governance framework is to be established under the direction of a nominated SIRO. This will include:</p> <p>(i) a review of the existing arrangements for Data Protection</p> <p>(ii) An IT Strategy; and</p> <p>(iii) Establishing an information governance framework.</p>	<p>Head of Environmental Health</p> <p>Head of Technology</p> <p>Head of Environmental Health</p>	<p>October 2016</p> <p>September 2016</p> <p>October 2016</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leader of the Council

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Date

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Managing Director

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Date

on behalf of Cannock Chase District Council