

STATEMENT OF ACCOUNTS

2012 / 2013



Cannock Chase District Council – Statement of Accounts

CONTENTS

	Page Number
Explanatory Foreword	3 - 12
Statement of Responsibilities	13
Movement In Reserves	15 - 16
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Financial Statements	20 - 78
Housing Revenue Account	79 - 83
Collection Fund	84 - 86
Glossary	87 - 95

Explanatory Foreword

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2012/13, which requires that it presents a true and fair view of the financial position of Cannock Chase District Council for the year ended 31 March 2013.

This Statement of Accounts contains several statements and these are summarised below:

Explanatory Foreword	This document is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors' report in company accounts. It provides a guide for the reader of the accounts to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.
Statement of Responsibilities for the Statement of Accounts	This statement sets out the responsibilities of the Council and the Chief Financial Officer (the Head of Finance) in respect of the Statement of Accounts.
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 in net worth as a result of: <ul style="list-style-type: none"> • incurring expenses and generating income; • movements in the fair value of the Council's assets; and • movements between reserves according to statutory provisions.
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice.
Balance Sheet	This statement summarises the Council's financial position as at 31 March each year. It shows the value of the assets and liabilities recognised by the Council and how they have been financed.
Cash Flow Statement	This statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year.
Notes to the Financial Statements	Notes are provided to assist in the interpretation of the accounts (for example the first note details the Council's Accounting policies), to provide further disclosures required by the Code of Practice and to provide additional information that is not presented elsewhere that will help the reader to understand the accounts.
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	As a billing authority, the Council is required to provide this statement which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.
Glossary	Explains the technical terms contained within the Statement of Accounts.

Explanatory Foreword

Local authority accounts are prepared on an International Financial Reporting Standards (IFRS) basis. IFRSs are a suite of accounting standards used across the world that are seen as best practice and allow for international comparisons to be made. The statements that follow the explanatory foreword have therefore been prepared on an IFRS basis.

The **Movement in Reserves Statement** on page 15 reveals that the Council's usable reserves have increased from £17.115 million on 31 March 2012 to £20.189 million on 31 March 2013, an increase of £3.074 million. Usable reserves have increased primarily due to the HRA subsidy no longer being payable as a result of the new HRA self financing regime together with a surplus on the General Fund.

The **Comprehensive Income and Expenditure Statement** on page 17 reveals a decrease in the net cost of services year on year of £64.433 million (2012/13 £14.384 million and 2011/12 £78.817 million). This decrease primarily relates to the exceptional item recorded in the 2011/12 accounts, being the impact of the Government's HRA self financing settlement of £59.245 million and the reduced HRA subsidy as reflected in the net cost of HRA services year on year of £2.032 million (2012/13 (£2.505) million and 2011/12 (£0.473) million).

The **Cash Flow Statement** on page 19 summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year (£3.033 million) relates primarily to changes in investing and financing activities detailed in notes 27 and 28 on page 56.

Long term borrowing has increased during the year due to an additional £5.5 million of PWLB borrowing to finance expenditure, primarily the enhancement of Chase Leisure Centre, as included within the 2011-12 and 2013-13 General Fund Capital Programme.

Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2012/13, 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.

Council Tax did not increase during the year. The Band D figure for the year was £197.01.

The Council set a net revenue budget for 2012/13 of £12.021 million in February 2012; this was later increased to £12.066 million as a result of other changes including the transfer of outstanding commitments arising from the 2011/12 outturn. The actual spend was £45,000 (0.4%) less than budgeted. The table overleaf sets out the net revenue spending and financing compared with the budget for the year:

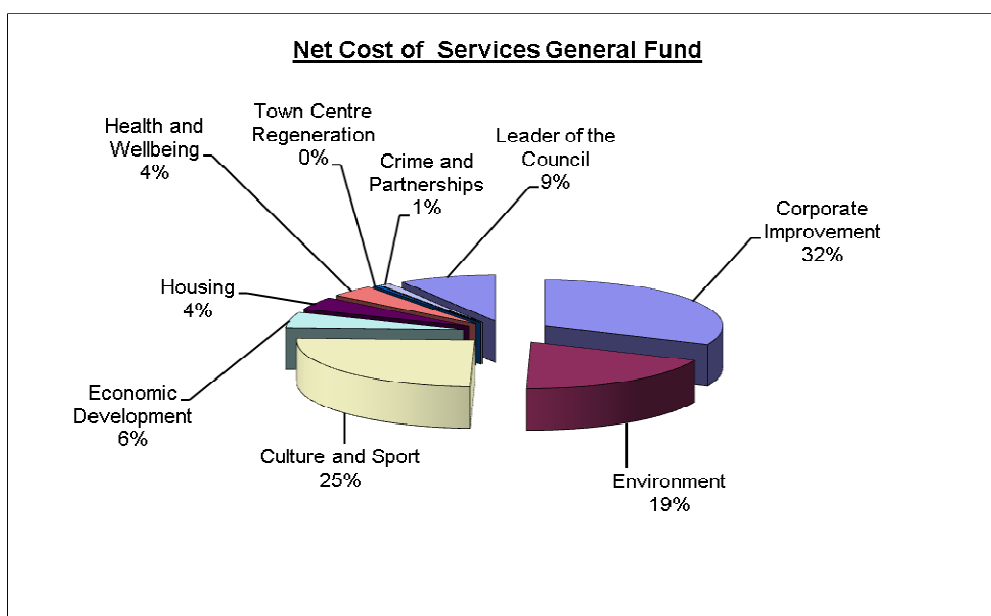
	Budget £000	Actual £000	Variation £000
Portfolio Budgets	12,264	12,165	(99)
Interest payable	29	89	60
Investment income	(82)	(117)	(35)
Technical items	(145)	(116)	29
Total Revenue Budget	12,066	12,021	(45)
Financed by:			
Council Tax income	(6,027)	(6,027)	-
Formula Grant	(5,843)	(5,843)	-
Council Tax Compensation	(299)	(301)	(2)
Collection Fund surplus	(65)	(100)	(35)
Transfer from Reserves	(148)	(148)	-
Transfer to Working Balance	316	398	82
Total financing	12,066	12,021	(45)

The table above shows the budget anticipated net expenditure of £12.066 million, to be principally funded from Council Taxpayers (£6.027 million) and Central Government (£5.843 million).

The actual position shows that net expenditure was £45,000 lower than budgeted.

The overall position, actual net expenditure and financing, resulted in a surplus or transfer of £398,000 to the General Fund working balance.

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.



Financial performance against Budget in 2012/13

Portfolio expenditure was £99,000 lower than the budget, the **principal variances** on each portfolio are ((+) is an unfavourable variance (-) is a favourable variance):

Corporate Improvement

- Reduced external audit fees - £40,000 (-)
- Reduced income from court costs - £104,000 (+)
- Reduced self insurance contributions - £95,000 (-)
- Savings on various public buildings - £109,000 (-)
- Higher vehicle fleet management costs than anticipated - £40,000 (+)
- Additional pensions costs - £41,000 (+)

Environment

- Street Cleansing – additional highways income - £87,000 (-)
- Waste and Recycling – additional transport costs - £76,000 (+); higher than anticipated agency staff costs - £41,000 (+); increased recycling income - £32,000 (-).
- Off street parking – reduced income - £31,000 (+)

Culture and Sport

- Parks and Open Spaces – additional contract payments £48,000 (+)

Economic Development

- Development Control – lower than expected planning fees £67,000 (+)

Health and Wellbeing

- Food Safety - additional “one-off” fee income - £31,000 (-).

Housing (General Fund)

- Reduced costs owing to staffing vacancies - £68,000 (-)

Leader of the Council

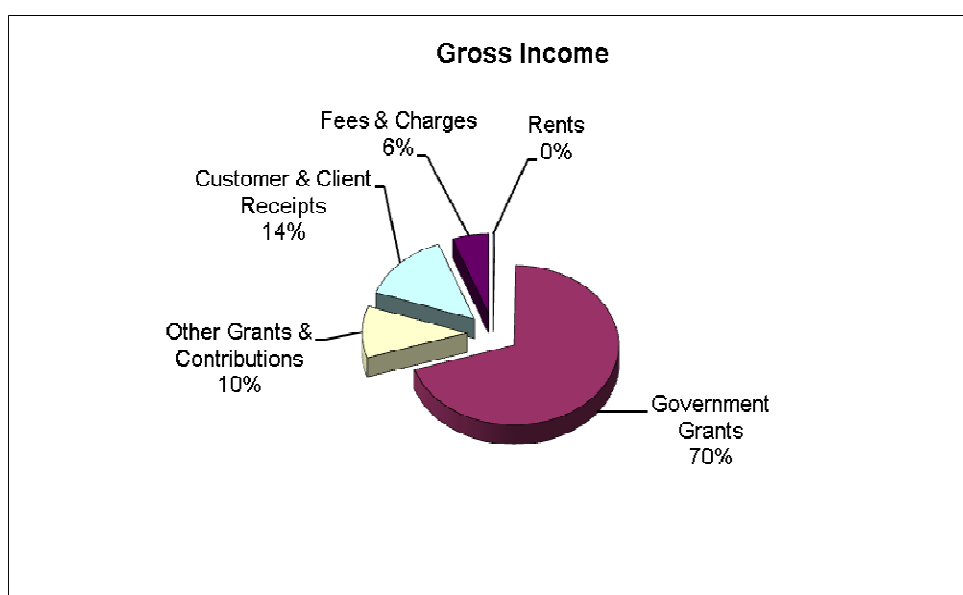
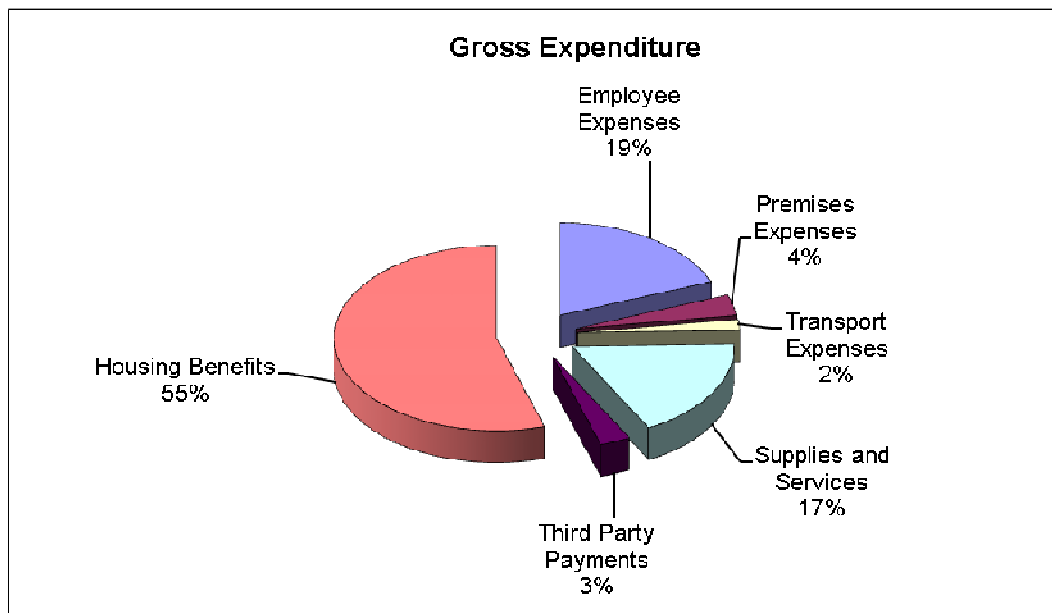
- Savings on members’ allowances - £36,000 (-)
- Savings on elections costs - £46,000 (-)

Other significant matters

The UK economy remains a difficult environment following the significant downturn in 2008 with relatively high unemployment and restricted bank lending impacting on both corporate investment and consumer spending. The commercial property market has followed these dynamics and remains subdued.

The Council’s borrowing with the PWLB increased to £88.839 million as at 31 March 2013 compared with £83.342 million at 31 March 2012. This is mainly due to new borrowing to finance the enhancement to Chase Leisure Centre.

The economic situation has impacted on interest rates. The Bank base rate remained at an historic low of 0.5% all year. This adversely affects the amount of interest that can be earned on the Council’s cash investments.



Future issues facing the Council

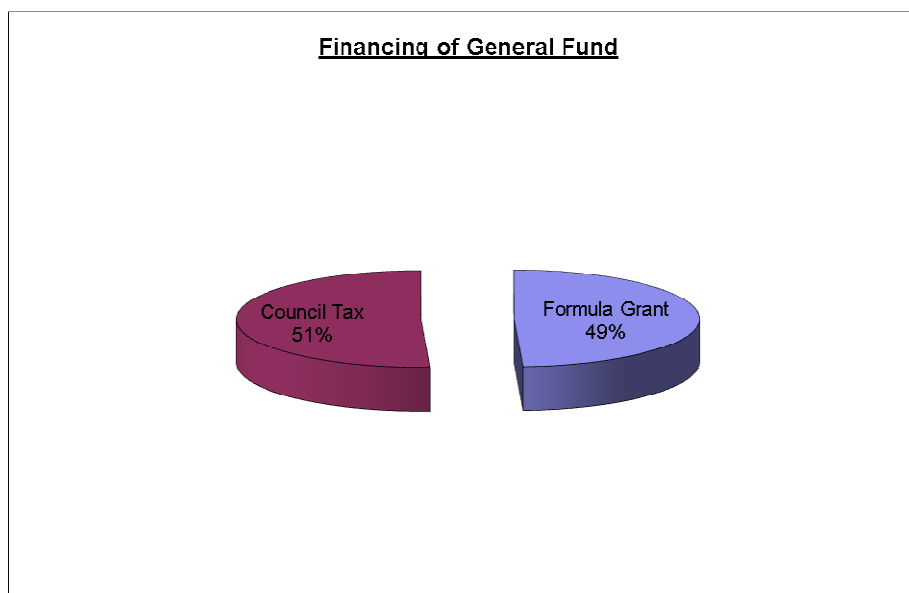
The Council plans its finances over a medium term 3 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. Finances are sound now and the Council continues to plan for future spending pressures.

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. Further cuts are expected to be announced when the results of the 2013 Comprehensive Spending Review are announced. This will inevitably lead to the Council being under continuing pressure to deliver significant budget savings going forward;
- Business Rates Retention Scheme – on 1 April 2013, the regime for collecting National Non Domestic Rates (NNDR) changed from the Council collecting NNDR purely on behalf of central government to a system where the income is 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 affects the retention of business rates income collected and carries the following new 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 from 1 April 2013 as well as previous years;
 - Reduced business rates collectable as a result of appeals.
- Income levels – a number of main income streams are subject to demand, in particular parking and planning, and in 2012/13 some have shown a marked deterioration due to the wider economic situation. The Council has limited means to address issues of demand however income is an area that receives particular budget monitoring attention;
 - Interest rates – the amount of investment income the Council receives from its cash investments is dependent on the level of interest rates. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of 0.5% changes investment income by about £10,000, although the bank rate is not now expected to increase until late 2014 and may even be cut in the short term;
 - Inflationary pressures – inflation has been running above the Bank of England’s target rate but is slowly decreasing. However there is concern it may return to a higher level in the medium term.
 - Pensions costs – the Council is coming under increasing pressure as a result of the rising costs of pensions provision. This is primarily as a result of the pension fund’s liabilities exceeding its assets and revised contribution rates will come into effect in 2014/15 following the triennial actuarial valuation. In addition, the end of the “contracted out” NIC rebate in April 2016, equivalent to 3.4% of an employee’s earnings between £5,500 & £40,000, will also need to be factored in to the Medium Term Financial Plan.



Collection Fund

The overall amount of Council Tax required by the precepting authorities to be collected through the Council’s Collection Fund was £45.587 million, with the District Council’s element being £6.026 million and £0.588 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 on behalf of Central Government.

The net position on the Collection Fund for the year was a deficit of £2.543 million, which after taking account of previous years' surplus, leaves a net deficit on the fund of £1.725 million at 31 March 2013.

Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April was £1.393 million and this was increased during 2012/13 to £1.790 million at 31 March 2013. 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 2012, earmarked reserves stood at £5.644 million and increased to £6.241 million at 31 March 2013.
- Housing Revenue Account balance – the balance at 1 April was £1.921 million and this increased during 2012/13 to £2.506 million at 31 March 2013. 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, in some cases, to spread expenditure over a number of years. At 1 April 2012, Housing Revenue Account earmarked reserves stood at £1.365 million and increased to £4.885 million at 31 March 2013. The increase reflects an additional £3.367 million Revenue Contribution to Capital Outlay being made in the year.

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 2013 showed the Council's share of the fund to be a deficit of £58.038 million, a increase in the deficit of £9.18 million over the figure for the previous year. This generally reflects less favourable financial assumptions made by the fund's valuers, Hymans Robertson. This is primarily as a result of poor asset returns. The combined effect of these factors served to increase the value of the Council's share of the fund's liabilities as at 31 March 2013 and thus has had a negative impact on the Council's balance sheet position. This 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.

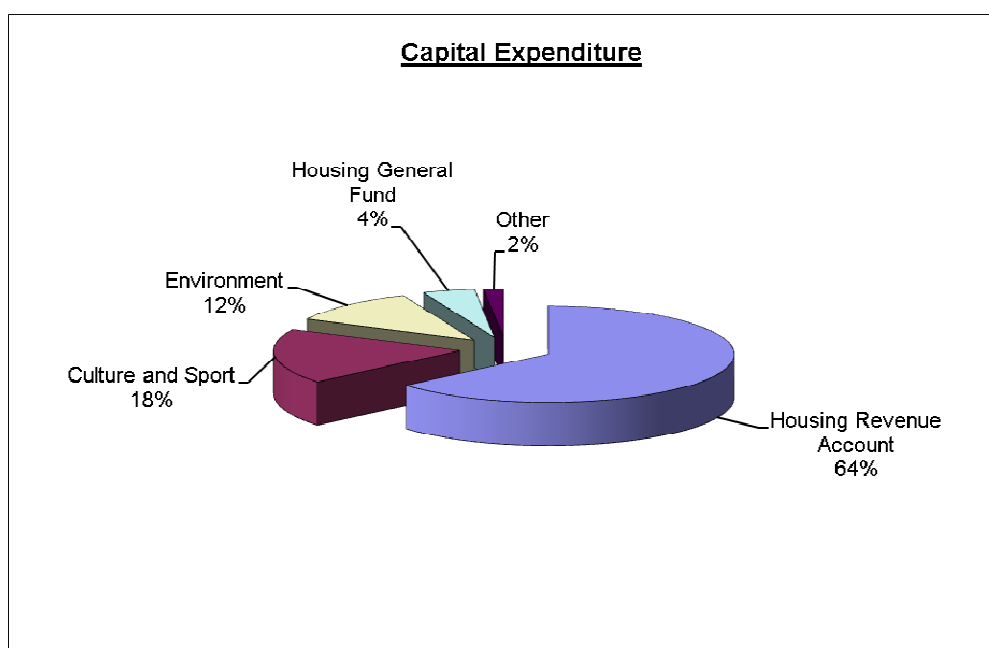
Capital Expenditure

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.

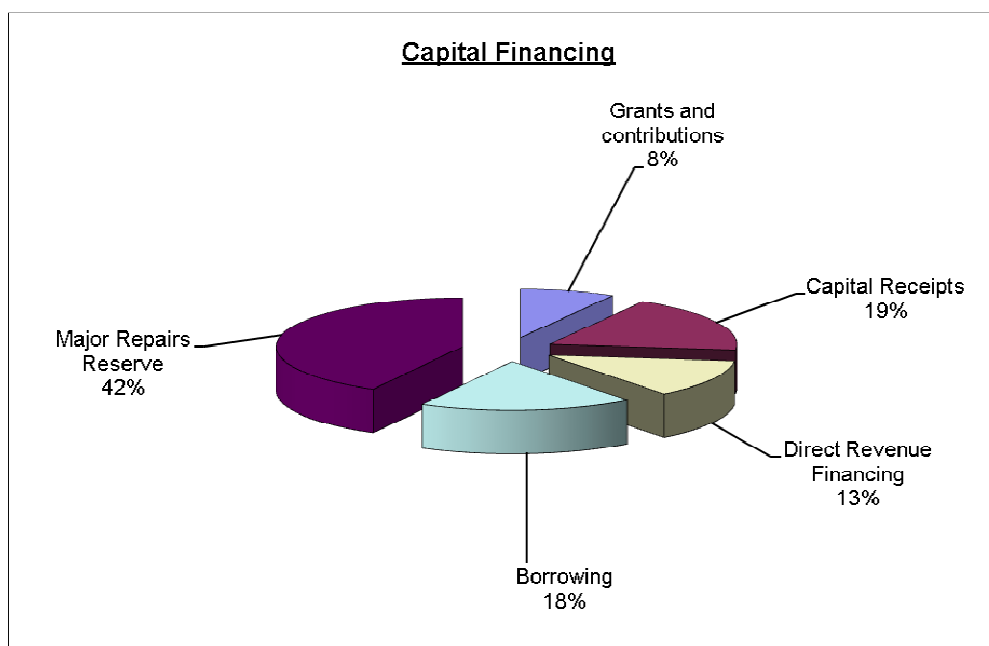
Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through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

The Council spent £10.447 million on capital projects in 2012/13, which was £0.588 million less than the budget of £11.035 million. The main reasons for the variation in 2012/13 is slippage of capital spend to future years. The major items of capital expenditure in the year were:

- **£1,925,000** on Chase Leisure Centre enhancement;
- **£1,156,000** on central heating upgrades to council houses;
- **£1,446,000** on external improvements to council houses;
- **£1,052,000** on disabled facilities grants;
- **£838,000** on the acquisition of land at Mill Green;
- **£767,000** on bathroom replacement in council houses;
- **£637,000** on replacement of kitchens in council properties;
- **£585,000** on redeveloping Moss Road estate;
- **£406,000** on bringing void properties back into use;
- **£395,000** on electrical rewiring to council houses;
- **£247,000** on the artificial turf pitch at Cardinal Griffin school.



The capital programme of £10.447 million was financed in the following way:



Treasury Management

The Council borrowed £4.7 million from the PWLB in May 2012 in accordance with the borrowing strategy, which identified an underlying need to borrow to finance General Fund capital spending. This loan is for a period of 25 years at a rate of 4.05%. The Council also borrowed £0.8 million from the PWLB in February 2013 at a rate of 1.47%. This shorter dated loan will mature in Feb 2017. This brings the total of new borrowing for 2012/13 to £5.5 million.

During most of 2012/13 investment decisions were driven by cash flow considerations and funds placed in business reserve accounts for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow.

Housing Revenue Account

The Housing Revenue position is slightly different. The Council in theory should charge rents to its tenants to cover expenditure, however, rents are determined in accordance with the Government' national social rent policy and to achieve convergence by 2015-16. An average rent increase of £3.86 per week was implemented in April 2012

In terms of expenditure the Council has been faced with an ongoing problem that it could not maintain decent homes standards for its properties beyond 2013/14 with the amounts of subsidy payable, based upon notional spending and rent requirements, increasing year on year. The self financing regime came into force in April 2012 which now enables the Council to better plan for maintenance of the housing stock over 30+ years. The Self Financing settlement of £59.245 million in 2011-12 released the Council from annual subsidy payments and enabled additional resources of £2.6 million to be redirected to the Capital Programme.

The Housing Revenue Account outturn shows a surplus of £0.585 million when compared with the estimated outturn budget of a deficit of £0.434 million. This variation is primarily due to:

- Reduced capital financing costs - £425,000 (-)
- Reduced spend on repairs and maintenance - £317,000 (-)
- Reduced spend on supervision and management - £177,000 (-)
- Reduced provision for bad debts - £130,000 (-)
- Increased revenue contribution to capital outlay - £106,000 (+)
- Increased rent income - £77,000 (-)
- Reduced negative housing subsidy - £42,000 (-)

The surplus resulted in Housing Working Balances rising to £2.506 million as at 31st March 2013.

**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 Head of Finance 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 Head of Finance with S151 Responsibilities

The Head of Finance 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 Head of Finance 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 Head of Finance 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 Head of Finance

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 2013.

..... R Kean Date 12/09/2013

R A Kean CPFA - Head of Finance

* this certificate replaces the previous version signed on the 27 June 2013

Certification by the Chairman of the Audit and Governance Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2013 was considered and approved by the Audit and Governance Committee of the Council on 24 September 2013.

..... G D Ball Date 24/09/2013

Councillor G D Ball - Chairman of the Audit and Governance Committee

* Signed certificate held in financial services

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 31st March for Useable 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 2012	(1,393)	(1,921)	(5,644)	(1,365)	(2,403)	(3,000)	(1,389)	(17,115)	(53,671)	(70,786)
Movement in reserves during 2012/13										
(Surplus)/deficit on the provision of services	4,314	1,125						5,439		5,439
Other Comprehensive Income and Expenditure	-	-						-	7,373	7,373
Total Comprehensive Income and Expenditure	4,314	1,125	-	-	-	-	-	5,439	7,373	12,812
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,270)	(5,268)			1,208	1,160	(343)	(8,513)	8,513	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(956)	(4,143)	-	-	1,208	1,160	(343)	(3,074)	15,886	12,812
Transfers to/from Earmarked Reserves (Note 8)	559	3,558	(597)	(3,520)				-		-
(Increase)/Decrease in 2012/13	(397)	(585)	(597)	(3,520)	1,208	1,160	(343)	(3,074)	15,886	12,812
Balance at 31 March 2013	(1,790)	(2,506)	(6,241)	(4,885)	(1,195)	(1,840)	(1,732)	(20,189)	(37,785)	(57,974)

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 2011	Restated (1,387)	Restated (2,214)	(4,356)	(1,770)	(1,787)	-	(2,511)	(14,025)	Restated (126,193)	(140,218)
Reclassification of Grants			(692)				730	38	5	43
Movement in reserves during 2011/12										
(Surplus)/deficit on the provision of services	6,589	59,743						66,332		66,332
Other Comprehensive Income and Expenditure	-	-						-	3,380	3,380
Total Comprehensive Income and Expenditure	6,589	59,743	-	-	-	-	-	66,332	3,380	69,712
Pension fund adjustment									(323)	(323)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,156)	(59,080)			(616)	(3,000)	392	(69,460)	69,460	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(567)	663	-	-	(616)	(3,000)	392	(3,128)	72,517	69,389
Transfers to/from Earmarked Reserves (Note 8)	561	(370)	(596)	405				-		-
(Increase)/Decrease in 2011/12	(6)	293	(596)	405	(616)	(3,000)	392	(3,128)	72,517	69,389
Balance at 31 March 2012	(1,393)	(1,921)	(5,644)	(1,365)	(2,403)	(3,000)	(1,389)	(17,115)	(53,671)	(70,786)

The restatement is due to a change in the categorisation of other comprehensive income which should be shown against unusable reserves.

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.

2011/12				2012/13		
Gross Expend	Gross Income	Net Expend		Gross Expend	Gross Income	Net Expend
£000	£000	£000		£000	£000	£000
9,669	9,054	615	Central Services to the Public	10,582	9,297	1,285
11,312	1,988	9,324	Cultural and Related Services	7,083	829	6,254
5,342	1,811	3,531	Environmental & Regulatory Services	5,215	1,667	3,548
2,315	953	1,362	Planning and Development Services	2,251	837	1,414
1,150	1,442	(292)	Highways, Roads and Transport Services	2,012	1,228	784
32,688	28,700	3,988	Housing General Fund	29,532	29,074	458
1,237	3	1,234	Corporate and Democratic Core	1,449	-	1,449
1,686	1,274	412	Non-distributed costs	3,211	1,621	1,590
14,504	14,977	(473)	HRA Net cost of services	19,277	21,675	(2,398)
			Exceptional Items:			
59,245	-	59,245	HRA Debt Settlement			-
-	129	(129)	Fleming VAT reclaim			-
139,148	60,331	78,817	Cost of Services	80,612	66,228	14,384
		631	Other operating expenditure (Note 9)			617
		2,804	Financing and investment income and expenditure (Note 10)			5,197
		(15,920)	Taxation and non-specific grant income (Note 11)			(14,759)
		66,332	(Surplus) / Deficit on Provision of Services			5,439
		(3,327)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 24)			(588)
			Impairment losses on non-current assets charged to the Revaluation Reserve			
		6,707	Actuarial (gains)/losses on pension assets/liabilities (Note 24)			7,961
		3,380	Other Comprehensive Income and Expenditure			7,373
		69,712	Total Comprehensive Income and Expenditure			12,812

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2013 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 2012		Notes	31 March 2013
£000			£000
196,034	Property, Plant & Equipment	12	190,782
296	Heritage Assets	13	296
1,741	Investment Property	14	1,818
-	- Intangible Assets	15	-
98	Long Term Debtors	16	94
198,169	Long Term Assets		192,990
119	Inventories	17	109
6,818	Short Term Debtors	18	7,723
6,845	Cash and Cash Equivalents	19	9,878
13,782	Current Assets		17,710
(204)	Short Term Borrowing	16	(3)
(6,062)	Short Term Creditors	21	(3,844)
(385)	Provisions	22	(38)
(69)	Grants Receipts in Advance-Revenue	36	(70)
(752)	Grants Receipts in Advance-Capital	36	(684)
(7,472)	Current Liabilities		(4,639)
(662)	Long Term Creditors	16	(531)
(83,342)	Long Term Borrowing	48	(88,839)
(656)	Provisions	22	(585)
(94)	Other Long Term Liabilities	47	(94)
(48,939)	Pensions	42	(58,038)
(133,693)	Long Term Liabilities		(148,087)
70,786	Net Assets		57,974
(17,115)	Usable Reserves	23	(20,189)
(53,671)	Unusable Reserve	24	(37,785)
(70,786)	Total Reserves		(57,974)

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.

2011/12	2012/13
£000	£000
66,332 Net (surplus) or deficit on the provision of services	5,439
(16,211) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(14,710)
4,286 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	2,317
54,407 Net cash flows from Operating Activities	(6,954)
7,146 Investing Activities (Note 27)	7,931
(62,199) Financing Activities (Note 28)	(4,010)
(646) Net (increase) / decrease in cash and cash equivalents	(3,033)
6,199 Cash and cash equivalents at the beginning of the reporting period	6,845
6,845 Cash and cash equivalents at the end of the reporting period (Note 19)	9,878

NOTES TO THE ACCOUNTS

1. Accounting Policies

(i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 employments 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 when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 arising from current year decisions 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
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- expected return on assets - the annual investment return on the funds assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- gains or losses on settlements and curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- 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 - debited to the Pensions Reserve
- 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 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 that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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) 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy

The Council has the statutory powers to charge a levy on new builds (chargeable developments for the Council), at present the Council has not elected to charge a Community Infrastructure Levy.

(xi) 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 xviii 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 xviii in this summary of significant accounting policies).

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) Investment Property

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

(xv) 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.

(xvi) 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 2012/13 (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.

(xvii) 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
- all other assets - fair 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) Interest Charges

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

(xxiv) Carbon Reduction Commitment Scheme

This scheme is currently in its introductory phase which will last until 31 March 2014. The council is not currently required to participate as it does not consume the energy level thresholds required.

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, 2012/13 Code Update has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- **IAS1 Presentation of Financial Statements**
The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of services. The changes are purely presentational and the gains and losses are separately identifiable on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
There are also new requirements in relation to Service Concession Arrangements, they clarify the recognition criteria for assets under construction or intangible assets. It is considered that these will have no impact on the Statement of Accounts.
- **IAS12 Income Taxes**
The change refers to the impact on group accounts and as the authority does not operate group accounts this is not considered to have any impact.
- **IFRS7 Financial Instruments: Disclosures**
The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 19 provides a breakdown of this item.

There have been several significant changes in relation to IAS19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £622,000 expense increase in the Comprehensive Income and Expenditure account.

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 market value, or operational assets which would be valued using existing use valuation techniques. The existing use value would be a lower figure than market 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.

- **Municipal Mutual Insurance (MMI)**

The Council has a potential clawback liability should there be a deficit in the winding up of the company. Since the 31 March 2013 the Council has received a letter with a draft 15% levy notice. As there is therefore more certainty with regard to this a provision has been made, due to the lack of information on when potentially payable it has been determined to leave as a long term liability. 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.

- **Leisure Trust (Wigan)**

The council has outsourced it's 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 wigan to allow them use of the assets no rentals are receivable. Therefore we have 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 2013 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 £164,000 for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>The actuary has provided sensitivity information about the effects of changes in assumptions. For a 0.5% decrease in the real discount rate there would be an increase in the employer liability of approximately (£13.3m). An increase in member life expectancy of 1 year would be an increase in the employer liability of approximately 3% (£4.1m). For a 0.5% increase in the salary increase rate there would be an increase in the employer liability of approximately 3% (£3.9m). For a 0.5% increase in the pension increase rate there would be an increase in the employer liability of approximately 7% (£9.2m).</p> <p>However, the assumptions interact in complex ways. During 2012/13 the Council's actuaries advised that the net pensions liability reduced by £7,000 as a result of estimates being corrected as a result of experience and decreased by £14.4m attributable to updating of assumptions.</p>
Sundry debt arrears	<p>At 31 March 2013 the Council's balance of sundry debts was £587,075. A review of significant balances suggested that an impairment of doubtful debts of 10.75% was appropriate (£63,000). However, in the current economic climate this level of debt will require constant monitoring.</p>	<p>If collection rates were to deteriorate a doubling of the amount of impairment of doubtful debts would require an additional £63,000 to set aside as an allowance.</p>
Council tax arrears	<p>At 31 March 2013 the Council's share of the council tax debtors included in the councils accounts was £712,000. A review of significant balances suggested that an impairment of doubtful debts of 55% (£392,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.</p>	<p>If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £7,000 to set aside as an allowance.</p>
Lease income Market hall precincts	<p>The council has a long term agreement in place for 26% of rents receiveable from lettings for the next 81 years. At the 31st March we have assumed future rental income based on the current rentals receiveable.</p>	<p>For every 1% reduction in the rental receivable this would reduce the income by £5,000 per annum.</p>

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 2012/13 are as follows:

There has been a reduction in the net cost of services of £64.433m, this is primarily due to the following;

	£000
Increased depreciation and impairment	66
Leisure Trust savings	(470)
Reduced Fleming Income	129
HRA Self Financing	(59,245)
Increased REFCUS expenditure	257
Shared Service Savings	(463)
Housing Revenue Account Subsidy	(4,819)
Shared Service Provision	(385)
Reduction in Audit Fees	(40)
MMI Provision	63
EP Provision reversed	499
Other changes	(25)
	<u>(64,433)</u>

6. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 28 June 2013.

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 2013, 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 31 March 2013 as they provide information which is relevant to an understanding of the Councils financial position but do not relate to conditions as that date:

Business Rates

From 1 April 2003 the new arrangements for business rates retention come in effect where local authorities will assume the liability for refunding taxpayers who have successfully appealed against the rateable value of their properties on the rating list. The liability of outstanding appeals at the 31 March 2013 is based upon 7% which is £1,597,460 of which Cannock's share is 40% which is £638,984.

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 2012/13 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 be applied 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.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves					Total Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs reserve £000	Capital Grants Unapplied £000		
2012/13							
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(4,240)	(6,844)				(11,084)	11,084
Revaluation losses on Property Plant and equipment to Net Cost of Services	(674)	(2,987)				(3,661)	3,661
Movements in market value of investment property	77					77	(77)
Capital grants and contributions applied	577					577	(577)
Revenue expenditure funded from capital under statute	(788)					(788)	788
HRA Debt settlement						-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(122)	(632)				(754)	754
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	587					587	(587)
Capital Expenditure charged against the General Fund and HRA balance	26	1,288				1,314	(1,314)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	630				(630)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account					287	287	(287)
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-	-

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves					Total Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs reserve £000	Capital Grants Unapplied £000		
2012/13							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	160	949	(1,109)			-	-
Use of the Capital Receipts Reserve to finance new capital expenditure			1,944			1,944	(1,944)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(23)	23			-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(354)	354			-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(4)			(4)	4
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of major repairs allowance credited to the HRA		3,233		(3,233)		-	-
Use of the major repairs reserve to finance new capital expenditure				4,393		4,393	(4,393)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 42)	(3,575)	(497)				(4,072)	4,072
Employer's pension contributions and direct payments to pensioners payable in the year	2,291	562				2,853	(2,853)
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	(345)					(345)	345
Adjustment primarily involving the Unequal Backpay Adjustment Account:							
Amount by which charge for equal pay to the Comprehensive Income and Expenditure statement are different from the cost of settlements in accordance with statutory requirements	97	24				121	(121)

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	
2012/13							
Adjustment primarily involving the Accumulated Absences Account:							
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	29	13				42	(42)
TOTAL ADJUSTMENTS	(5,270)	(5,268)	1,208	1,160	(343)	(8,513)	8,513
2011/12							
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(8,723)	(5,845)				(14,568)	14,568
Revaluation losses on Property Plant and equipment to Net Cost of Services	(65)	(45)				(110)	110
Movements in market value of investment property	(197)					(197)	197
Capital grants and contributions applied		130				130	(130)
Revenue expenditure funded from capital under statute	(531)					(531)	531
HRA Debt settlement		(59,245)				(59,245)	59,245
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,236)	(464)				(1,700)	1,700

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	General Fund Balance £000	Usable Reserves			Capital Grants Unapplied £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
		Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs reserve £000			
2011/12							
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	359					359	(359)
Capital Expenditure charged against the General Fund and HRA balance	190	2,362				2,552	(2,552)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,091				(2,091)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account					2,483	2,483	(2,483)
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	76					76	(76)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,026	1,009	(2,035)			-	-
Use of the Capital Receipts Reserve to finance new capital expenditure			974			974	(974)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(66)	66			-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(384)	384			-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(5)			(5)	5
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of major repairs allowance credited to the HRA		3,283		(3,283)		-	-
Use of the major repairs reserve to finance new capital expenditure				283		283	(283)

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves					Total Usable Reserves £000	Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs reserve £000	Capital Grants Unapplied £000		
2011/12							
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 42)	(3,778)					(3,778)	3,778
Employer's pension contributions and direct payments to pensioners payable in the year	3,010	57				3,067	(3,067)
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	43					43	(43)
Adjustment primarily involving the Unequal Backpay Adjustment Account:							
Amount by which charge for equal pay to the Comprehensive Income and Expenditure statement are different from the cost of settlements in accordance with statutory requirements	498	122				620	(620)
Adjustment primarily involving the Accumulated Absences Account:							
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	81	6				87	(87)
TOTAL ADJUSTMENTS	(7,156)	(59,080)	(616)	(3,000)	392	(69,460)	69,460

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 2012/13.

2012/13	Balance at 1 April 2011 £000	Transfer out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000	Transfer out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000
Revenue							
General Fund							
General	3,706	(1,041)	1,697	4,362	(1,800)	2,265	4,827
Section 106	698	(35)	64	727	(45)	254	936
Commuted Sums	184	(59)	44	169	(30)	107	246
Grants	356	(160)	111	307	(234)	80	153
RCCO	24	(24)	-	-	-	-	-
Trading	79	-	-	79	-	-	79
Sub Total	5,047	(1,319)	1,916	5,644	(2,109)	2,706	6,241
HRA							
Housing	1,065	(35)	140	1,170	(261)	414	1,323
RCCO	705	(2,362)	1,852	195	(1,061)	4,428	3,562
Sub Total	1,770	(2,397)	1,992	1,365	(1,322)	4,842	4,885
Total Revenue Reserves	6,817	(3,716)	3,908	7,009	(3,431)	7,548	11,126

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

9. Other Operating Expenditure

2011/12 £000	2012/13 £000
586 Parish council precepts	588
(270) (Gains)/Losses on the disposal of non-current assets:	(331)
7 Levies	7
(76) Gain/Loss Deferred Capital Receipts	-
384 Pooling of Capital Receipts	353
631 Total	617

10. Financing and Investment Income and Expenditure

2011/12 £000	2012/13 £000
1,576 Interest Payable & Similar Charges	3,797
1,329 Pension interest cost and expected return on assets	1,714
(143) Interest Receivable and similar income	(114)
197 Income and Expenditure in relation to investment properties and changes in their fair value	(77)
(161) Income and Expenditure in relation to investment properties	(140)
6 (Gain) / loss on trading accounts (Note 31)	17
2,804 Total	5,197

11. Taxation and Non Specific Grant Incomes

2011/12 £000	2012/13 £000
(2,219) Capital grants and contributions	(1,389)
(6,632) Precepts on the collection fund	(6,370)
(1,580) Revenue Support Grant	(114)
(5,112) Contribution from NNDR Pool	(5,879)
(377) Non ringfenced government grants	(1,007)
<u>(15,920) Total</u>	<u>(14,759)</u>

12. Property, Plant and Equipment

Movements on Balances

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & equipment	Community Assets	Leased plant & Equipment	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000
Movements in 2012/13						
Cost or Valuation						
At 1 April 2012	212,969	57,460	2,857	239	968	274,493
Additions	6,562	2,964	132	1		9,659
Donations						-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(88)	392				304
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,654)	(3,858)		(1)		(11,513)
Derecognition - disposals	(632)	(122)				(754)
Derecognition - other						-
Assets reclassified (to)/from Held For Sale						-
Other movements in cost or valuation		(1,795)		80		(1,715)
at 31 March 2013	<u>211,157</u>	<u>55,041</u>	<u>2,989</u>	<u>319</u>	<u>968</u>	<u>270,474</u>
Accumulated Depreciation and Impairment						
at 1 April 2012	(74,063)	(2,445)	(1,758)	(22)	(171)	(78,459)
Depreciation charge	(1,814)	(984)	(299)		(135)	(3,232)
Depreciation written out to the Revaluation Reserve		284				284
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		1,693		22		1,715
at 31 March 2013	<u>(75,877)</u>	<u>(1,452)</u>	<u>(2,057)</u>	<u>-</u>	<u>(306)</u>	<u>(79,692)</u>
Net Book Value						
at 31 March 2013	135,280	53,589	932	319	662	190,782
at 31 March 2012	138,906	55,015	1,099	217	797	196,034

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & equipment	Community Assets	Leased plant & Equipment	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000
Movements in 2011/12						
Cost or Valuation						
At 1 April 2011	214,371	55,980	2,771	239	968	274,329
Additions	5,713	6,920	86	298		13,017
Donations						-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,761)	2,775				14
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,890)	(6,979)		(298)		(11,167)
Derecognition - disposals	(464)	(1,236)				(1,700)
Derecognition - other						-
Assets reclassified (to)/from Held For Sale						-
Other movements in cost or valuation						-
at 31 March 2012	212,969	57,460	2,857	239	968	274,493
Accumulated Depreciation and Impairment						
at 1 April 2011	(75,422)	(1,284)	(1,468)	(22)	-	(78,196)
Depreciation charge	(1,909)	(1,110)	(290)		(171)	(3,480)
Depreciation written out to the Revaluation Reserve	3,313					3,313
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	(45)	(51)				(96)
Derecognition - disposals						-
Derecognition - other						-
Other movements in depreciation and impairment						-
at 31 March 2012	(74,063)	(2,445)	(1,758)	(22)	(171)	(78,459)
Net Book Value						
at 31 March 2012	138,906	55,015	1,099	217	797	196,034
at 31 March 2011	138,949	54,696	1,303	217	968	196,133

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 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £2,358,000. The major commitment is for Structural Reinstatement of PRC Dwellings. Commitments at 31 March 2012 were £888,000 in respect of Chase Leisure Centre.

Valuation Information

The property, plant and equipment valuation was completed by Mr. G. Winslow BSc. 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.

Revaluations

All revaluations undertaken as part of the five year rolling programme have been made as at 31 March 2013, and a Revaluation Report and Asset Valuations by Type Report from the Property Management System have been supplied.

	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			932	319	662	1,913
valued at fair value as at:						
31 March 2010	-	8,569	-	-	-	8,569
31 March 2011	-	2,244	-	-	-	2,244
31 March 2012	-	2,942	-	-	-	2,942
31 March 2013	135,280	39,834	-	-	-	175,114
Total Cost or Valuation	135,280	53,589	932	319	662	190,782

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	Civic Regalia £000	Museum Artefacts £000	Total Assets £000
Cost or Valuation			
1 April 2012	35	261	296
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
31 March 2013	35	261	296

	Civic Regalia £000	Museum Artefacts £000	Total Assets £000
Cost or Valuation			
1 April 2011	35	261	296
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
31 March 2012	35	261	296

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.

	2012/13 £000	2011/12 £000
Rental Income from Investment Property	140	161
Direct Operating expenses arising from investment property	-	-
Net Gain / (loss)	140	161

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:

	2012/13 £000	2011/12 £000
Balance at start of the year	1,741	1,938
Additions		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	77	(197)
Transfers		
to/from inventories	-	-
to/from Property, Plant and Equipment	-	-
Balance at end of year	<u>1,818</u>	<u>1,741</u>

15. Intangible Assets

The Council does not carry any intangible assets on its Balance Sheet.

16. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments				
Loans and receivables	-	-	10,767	6,862
Total Investments	<u>-</u>	<u>-</u>	<u>10,767</u>	<u>6,862</u>
Debtors				
Loans and receivables	94	98		
Financial Assets carried at contract amounts			2,642	2,368
Total Debtors	<u>94</u>	<u>98</u>	<u>2,642</u>	<u>2,368</u>
Borrowings				
Financial liabilities at amortised cost	88,839	83,342	3	204
Total Borrowings	<u>88,839</u>	<u>83,342</u>	<u>3</u>	<u>204</u>
Other Long Term Liabilities				
Finance lease liabilities	490	662		
Total Other Long Term Liabilities	<u>490</u>	<u>662</u>	<u>-</u>	<u>-</u>
Creditors				
Loans and receivables				
Financial liabilities carried at contract amounts	41	-	3,755	6,062
Total Creditors	<u>41</u>	<u>-</u>	<u>3,755</u>	<u>6,062</u>

Reclassifications

There were no reclassifications of financial instruments during 2012/13.

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

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000
2012/13			
Interest expense	3,459	-	3,459
Total expense in Surplus or deficit on the Provision of Services	3,459	-	3,459
Interest income	-	(113)	(113)
Total income in Surplus or Deficit on the Provision of Services	-	(113)	(113)
Gains on revaluation	-	-	-
Losses on revaluation	-	-	-
Amounts recycled to the Surplus and Deficit on the Provision of Services after impairment	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-
Net gain/(loss) for the year	3,459	(113)	3,346

Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000
2011/12			
Interest expense	1,324	-	1,324
Total expense in Surplus or deficit on the Provision of Services	1,324	-	1,324
Interest income	-	(60)	(60)
Total income in Surplus or Deficit on the Provision of Services	-	(60)	(60)
Gains on revaluation	-	-	-
Losses on revaluation	-	-	-
Amounts recycled to the Surplus and Deficit on the Provision of Services after impairment	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-
Net gain/(loss) for the year	1,324	(60)	1,264

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long terms assets/liabilities with accrued interest in current assets/liabilities). 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, 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;
- 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.

The fair values calculated are as follows:

	31 March 2013		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt - Maturity	88,805	89,275	83,305	78,583
PWLB Debt - Annuity				
Non-PWLB Debt	34	48	37	51
Trade Creditors	3,755	3,755	6,062	6,062
Total Debt	92,594	93,078	89,404	84,696
Long-term creditors	531	531	662	662
Total Financial Liabilities	93,125	93,609	90,066	85,358

The fair value 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.

	31 March 2013		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash	2,504	2,504	4,299	4,299
Money Market Funds	8,263	8,263	2,563	2,563
Long Term Debtors	94	94	98	98
Trade Debtors	2,642	2,642	2,368	2,368
Total Loans and Receivables	13,503	13,503	9,328	9,328

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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 shown. At the 31 March 2013 the balance of stocks held was £109,000, a decrease of £10,000 from the previous financial year.

18. Short Term Debtors

31 March 2012 £000		31 March 2013 £000
2,617	Central government bodies	2,500
2,360	Other local authorities	3,552
1,841	Other entities and individuals (net of impairments)	1,671
<u>6,818</u>		<u>7,723</u>

The Other entities and individuals balance above includes an impairment allowance of £2,377,000 at the 31 March 2012 and £2,847,000 at the 31 March 2013.

19. Cash and Cash Equivalents

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

31 March 2012 £000		31 March 2013 £000
	Current Assets	
6,862	Cash equivalents held by the Council	10,767
(17)	Bank current accounts	(889)
<u>6,845</u>	Total Cash and Cash Equivalents	<u>9,878</u>

20. Assets Held For Sale

There were no assets held for sale as at 31 March 2013 (and 31 March 2012).

21. Short Term Creditors

31 March 2012 £000		31 March 2013 £000
597	Central government bodies	774
1,013	Other local authorities	524
13	NHS bodies	-
-	Public corporations and trading funds	-
4,439	Other entities and individuals	2,546
<u>6,062</u>		<u>3,844</u>

22. Provisions

(i) Current Liabilities

	Shared Services Provisions £000
Balance at 1 April 2012	385
Additional provisions	-
Amounts used in 2012/13	(347)
Unused amounts reversed	-
Balance at 31 March 2013	38

The provision shown above represents an estimate of the Council's share of restructuring costs as part of the rationalisation of shared services with Stafford Borough Council.

(ii) Long Term Liabilities

	MMI £000	Insurance £000	Capitalisation (EPBPA) £000	Housing Employment Claim £000	Total £000
Balance at 1 April 2012	-	259	226	171	656
Additional provisions	63	50	-	-	113
Amounts used in 2012/13	-	(59)	(4)	-	(63)
Unused amounts reversed	-	-	(121)	-	(121)
Balance at 31 March 2013	63	250	101	171	585

23. Usable Reserves

31 March 2012 £000	31 March 2013 £000
(1,393) General Fund Balance	(1,790)
(1,921) HRA Balance	(2,506)
Earmarked Reserves:	
(5,644) General Fund	(6,241)
(1,365) Housing Revenue Account	(4,885)
(2,403) Capital Receipts Reserve	(1,195)
(1,389) General Fund - Capital Grants Unapplied	(1,732)
(3,000) Housing Revenue Account - Major Repairs Reserve	(1,840)
<u>(17,115) Total Usable Reserves</u>	<u>(20,189)</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 2012 £000	31 March 2013 £000
(19,965) Revaluation Reserve	(19,870)
(82,493) Capital Adjustment Account	(76,189)
48,858 Pensions Reserve	58,038
(98) Deferred Capital Receipts Reserve	(94)
(110) Collection Fund Adjustment Account	235
137 Accumulated Absences Account	95
<u>(53,671) Total Unusable Reserves</u>	<u>(37,785)</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.

2011/12 £000	2012/13 £000
(17,498) Balance at 1 April	(19,965)
(7,961) Upward revaluation of assets	(2,507)
4,634 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,919
(3,327) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(588)
- Difference between fair value depreciation and historical cost depreciation	515
860 Accumulated gains on assets sold or scrapped	168
860 Amount written off to the Capital Adjustment Account	683
<u>(19,965) Balance at 31 March</u>	<u>(19,870)</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 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.

2011/12		2012/13
£000		£000
(150,588) Balance at 1 April		(82,493)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
14,582	Charges for depreciation and impairment of non-current assets	14,745
96	Revaluation losses on Property, Plant and Equipment	-
	Amortisation of intangible assets	-
531	Revenue Expenditure funded from capital under statute	788
59,245	Housing Revenue Account Self Financing	-
840	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	754
75,294		16,287
	Adjusting amounts written out of the Revaluation Reserve	(683)
(75,294)	Net written out amount of the cost of non-current assets consumed in the year	(66,889)
	Capital financing applied in the year:	
(974)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,944)
(620)	Provisions financed last year from capital reversed	(121)
(283)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,393)
(2,608)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(577)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(287)
(359)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(587)
(2,552)	Capital expenditure charged against the General Fund and HRA balances	(1,314)
(7,396)		(9,223)
197	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(77)
(82,493) Balance at 31 March		(76,189)

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.

2011/12 £000		2012/13 £000
41,763	Balance at 1 April	48,858
6,707	Actuarial (gains) or losses on pensions assets and liabilities	7,961
3,778	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	4,072
(3,067)	Employers pensions contributions and direct payments to pensioners payable in the year	(2,853)
49,181	Sub Total	58,038
(323)	Unfunded Pensions Adjustment	-
48,858	Balance at 31 March	58,038

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.

2011/12 £000		2012/13 £000
(27)	Balance at 1 April	(98)
(76)	Kickstart Loans	-
5	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(98)	Balance at 31 March	(94)

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
(67)	Balance at 1 April	(110)
(43)	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	345
(110)	Balance at 31 March	235

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.

2011/12 £000		2012/13 £000
	224 Balance at 1 April	137
(224)	Settlement or cancellation of accrual made at the end of the preceding year	(137)
137	Amounts accrued at the end of the current year	95
	(87) 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	(42)
	137 Balance at 31 March	95

25. Cash flow Statement - Non Cash Movements

2011/12 £000		2012/13 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(14,569)	Depreciation	(14,745)
(110)	Impairment and downward valuations	-
81	Discount on debt redemption	-
837	Increase/ decrease in Creditors	1,501
(140)	Increase/decrease in Debtors	103
6	Increase/decrease in Stock	(10)
(712)	Movement in pension liability	(1,300)
(1,700)	Carrying amount of non-current assets sold or derecognised	(754)
(197)	Movement in investment property value	77
293	Other non-cash items charged to the net surplus or deficit on the provision of services	418
	(16,211)	(14,710)
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
2,894	Capital grants credited to Surplus / deficit on the Comprehensive Income and Expenditure Statement	1,208
1,392	Proceeds from the sales of Plant, Property and Equipment, investment property and intangible assets	1,109
-	- Any other item for which the cash effects are investing or financing cash flows	
	4,286	2,317

26. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(146)	Interest received	(111)
1,495	Interest paid	3,857

27. Cash flow Statement - Investing Activities

2011/12		2012/13
£000		£000
11,466	Purchase of property, plant and equipment, investment property and intangible assets	10,348
	- Purchase of short-term and long-term investments	
	Other payments for investing activities	
(1,273)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,113)
	- Proceeds from short-term and long-term investments	
(3,047)	Other receipts from investing activities	(1,304)
<u>7,146</u>	Net cash flows from investing activities	<u>7,931</u>

28. Cash flow Statement - Financing Activities

2011/12		2012/13
£000		£000
(65,245)	Cash receipts of short and long term borrowing	(5,500)
	- Other receipts from financing activities	
107	Cash payments for the reduction of the outstanding liabilities relating to finance leases	135
3,185	Repayment of short and long term borrowing	204
(246)	Other payments for financing activities	1,151
<u>(62,199)</u>	Net cash flows from financing activities	<u>(4,010)</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 portfolio's. 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

29. Amounts Reported For Resource Allocation Decisions

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 2012/13	Crime & Partnerships £000	Leader of the Council £000	Health & Wellbeing £000	Housing GF £000	Town Centre Regeneration £000	Corporate Improve £000	Culture & Sport £000	Economic Development £000	Environment £000	HRA £000	Total £000
Fees, charges & other service income	254	(11)	516	317	650	5,111	919	1,174	5,995	25,239	40,164
Government grants	48	108	35,483	304	-	1,056	59	2	10	(18)	37,052
Total Income	302	97	35,999	621	650	6,167	978	1,176	6,005	25,221	77,216
Employee expenses	139	357	833	537	108	5,645	516	1,344	2,750	3,660	15,889
Other service expenses	301	816	35,657	637	484	4,401	3,558	511	5,567	28,839	80,771
Total Expenditure	440	1,173	36,490	1,174	592	10,046	4,074	1,855	8,317	32,499	96,660
Net Expenditure	138	1,076	491	553	(58)	3,879	3,096	679	2,312	7,278	19,444

Portfolio Income and Expenditure 2011/12	Crime & Partnerships £000	Leader of the Council £000	Health & Wellbeing £000	Housing GF £000	Town Centre Regeneration £000	Corporate Improve £000	Culture & Sport £000	Economic Development £000	Environment £000	HRA £000	Total £000
Fees, charges & other service income	76	63	669	338	683	4,973	2,126	964	4,751	37,077	51,720
Government grants	63	-	34,562	478	-	972	75	-	63	(4,837)	31,376
Total Income	139	63	35,231	816	683	5,945	2,201	964	4,814	32,240	83,096
Employee expenses	175	360	815	509	108	6,311	2,755	1,358	2,019	3,566	17,976
Other service expenses	142	752	34,821	853	447	4,563	2,726	412	5,172	84,811	134,699
Total Expenditure	317	1,112	35,636	1,362	555	10,874	5,481	1,770	7,191	88,377	152,675
Net Expenditure	178	1,049	405	546	(128)	4,929	3,280	806	2,377	56,137	69,579

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.

2011/12	2012/13
£000	£000
69,579 Net expenditure in the Portfolio Analysis	19,444
14,175 Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,576
(4,937) Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(10,636)
<u>78,817</u> Cost of Services in Comprehensive Income and Expenditure Statement	<u>14,384</u>

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.

2012/13	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	40,164	9,748	(5,161)	(15,465)	29,286	4,227	33,513
Interest and investment income	-	-	(1)	-	(1)	4,059	4,058
Income from council tax	-	-	-	-	-	6,370	6,370
Government grants and contributions	37,052	-	(109)	-	36,943	8,389	45,332
Total Income	77,216	9,748	(5,271)	(15,465)	66,228	23,045	89,273
Employee expenses	15,889	(67)	(2,225)	(76)	13,521	1,466	14,987
Other service expenses	63,274	1,227	(7,623)	(5,380)	51,498	1,324	52,822
Support service recharges	2,776	8,462	(1,229)	(10,009)	-	1,229	1,229
Capital Financing	-	-	-	-	-	14	14
Depreciation, amortisation and impairment	9,831	5,702	(1,360)	-	14,173	8	14,181
Interest Payments	4,890	-	(3,470)	-	1,420	9,442	10,862
Precepts & Levies	-	-	-	-	-	595	595
Gain or Loss Disposal of Property, plant & equipment	-	-	-	-	-	22	22
Total Expenditure	96,660	15,324	(15,907)	(15,465)	80,612	14,100	94,712
Surplus or deficit on the provision of services	19,444	5,576	(10,636)	-	14,384	(8,945)	5,439

2011/12	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	51,720	-	(4,239)	10,319	57,800	3,838	61,638
Interest and investment income	-	-	(1)	-	(1)	4,794	4,793
Income from council tax	-	-	-	-	-	6,632	6,632
Government grants and contributions	31,376	-	(74)	-	31,302	9,288	40,590
Total Income	83,096	-	(4,314)	10,319	89,101	24,552	113,653
Employee expenses	17,976	(68)	(2,116)	65	15,857	1,391	17,248
Other service expenses	58,240	(967)	(4,794)	452	52,931	1,213	54,144
Support service recharges	15,898	-	(975)	9,802	24,725	975	25,700
Capital Financing	59,241	-	4	-	59,245	7	59,252
Depreciation, amortisation and impairment	-	15,210	(77)	-	15,133	304	15,437
Interest Payments	1,320	-	(1,293)	-	27	7,546	7,573
Precepts & Levies	-	-	-	-	-	593	593
Gain or Loss Disposal of Property, plant & equipment	-	-	-	-	-	38	38
Total Expenditure	152,675	14,175	(9,251)	10,319	167,918	12,067	179,985
Surplus or deficit on the provision of services	69,579	14,175	(4,937)	-	78,817	(12,485)	66,332

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.

2011/12			2012/13		
Expend £000	Income £000	Net £000	Expend £000	Income £000	Net £000
General Fund					
131	(105)	26	82	(102)	(20)
154	(100)	54	139	(140)	(1)
188	(209)	(21)	224	(218)	6
22	(29)	(7)	27	(24)	3
1	(3)	(2)	1	(3)	(2)
68	(57)	11	84	(60)	24
7	(44)	(37)	8	(43)	(35)
79	(86)	(7)	95	(47)	48
<hr/>					
650	(633)	17	660	(637)	23
Housing Revenue Account					
3,032	(3,043)	(11)	3,443	(3,449)	(6)
<hr/>					
3,682	(3,676)	6	4,103	(4,086)	17

32. Agency Services

The Council operates the Civil Parking enforcement on behalf of Staffordshire County Council. As part of this operation the Council also operates as lead authority for the tranche 2 districts. Therefore the Council's comprehensive income and expenditure account including the following:

2011/12			2012/13		
Expend £000	Income £000	Net £000	Expend £000	Income £000	Net £000
603	(609)	(6)	558	(423)	135

33. Members Allowances

Members allowances paid during 2012/13 totalled £379,220 (2011/12 £370,108). 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 2012/13 - salary is between £50,000 and £150,000 per year

Post Title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	114,296	963	23,730	138,989
Corporate Director	81,868	963	17,055	99,886
Head of Planning & Regeneration	63,196	963	13,065	77,224
Head of Governance	62,610	963	13,065	76,638
Head of Financial Management	62,515	963	13,065	76,543
Head of Financial Management-SBC (i)	-	-	-	-
Head of Leisure & Culture	62,681	963	13,065	76,709
Head of Environmental Health	62,919	963	13,065	76,947
Head of Environmental Services	63,182	963	13,065	77,210
Head of Housing	62,515	963	13,065	76,543
Head of Policy, Performance and Partnerships	62,059	963	13,065	76,087
	697,841	9,630	145,305	852,776

Senior Officers emoluments 2011/12 - salary is between £50,000 and £150,000 per year

Post Title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	115,106	963	22,850	138,919
Corporate Director	82,041	963	16,240	99,244
Head of Planning & Regeneration	63,157	963	12,441	76,561
Head of Governance	59,160	963	11,749	71,872
Head of Financial Management	62,280	963	12,394	75,637
Head of Financial Management-SBC (i)	64,595	429	12,850	77,874
Head of Leisure & Culture	62,689	963	12,441	76,093
Head of Environmental Health	62,735	963	12,394	76,092
Head of Environmental Services	63,207	963	12,441	76,611
Head of Housing	64,626	963	12,394	77,983
Head of Policy, Performance and Partnerships	62,575	963	9,041	72,579
	762,171	10,059	147,235	919,465

(*) in post until February 2012.

The Head of Finance posts (SBC) reflect the shared services arrangement with Stafford Borough Council and was fully funded by Stafford Borough Council in 2011-12.

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are all included in the table above.

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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2012/13 £000
£0 - £20,000	-	-	11	4	11	4	97	25
£20,001 - £40,000	2	-	2	6	4	5	116	144
£40,001 - £60,000	-	-	2	3	2	3	81	165
£60,001 - £80,000	-	-	-	1	-	2	-	134
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	111
£150,001+	-	-	-	1	-	1	-	155
TOTAL	2	-	15	16	17	16	294	734
Add:								
Amounts provided for in CIES not included in bandings:								
TOTAL	2	-	15	16	17	16	294	734

The total cost of £734,000 in the table above includes an amount of £560,000 which was charged to the Authority's Comprehensive Income and Expenditure Statement in 2011/12.

The Council acts as the lead authority for a number of services. Within these services 9 terminations have been made which have been financed jointly with Stafford Borough Council.

Stafford Borough Council are now the lead authority for a number of services and have made 2 terminations which have been financed jointly with this Authority.

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 statutory inspections and to non-audit services provided by the Council's external auditors:

2011/12 £000	2012/13 £000
106 Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	66
- Fees payable to the Audit Commission in respect of statutory inspections	-
34 Fees payable to the Audit Commission for the certification of grant claims and returns for previous years	35
<u>140</u> Total	<u>101</u>

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
5,112	Distribution from the Non-Domestic Rates Pool	5,879
6,632	Collection Fund Income	6,370
1,580	Revenue Support Grant	114
74	Local Services Support Grant	74
153	New Homes Bonus	584
150	Council Tax Freeze	151
	- New Burdens	84
	- High Street Innovation	100
	- Other general grants	14
2,219	Capital Grants	1,389
15,920	Total	14,759
2011/12 £000		2012/13 £000
	Credited to Services	
22,647	Rent Allowances	23,424
(4,837)	Housing Subsidy	(18)
11,910	Housing Benefit Subsidy	12,157
757	Housing Benefit Admin Grant	749
	- Dept of Transport - Concessionary Fares	
314	Supporting People	230
142	Cost Of Collection Allowance	139
	- Planning Delivery Grant	
68	Play Lottery	59
63	Contaminated Land	10
63	Safer Communities	40
163	DCLG Homelessness	-
	- Elections	108
12	Other grants	45
31,302	Total	36,943

Other grants shown in the table above includes all grants received less than £50,000.

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**

2011/12 £000		2012/13 £000
	Revenue Grants Receipts in Advance	
9	Other	9
21	Commutated Sums	20
39	Section 106 Developers Revenue Contributions	41
69	Total	70
2011/12 £000		2012/13 £000
	Capital Grants Receipts in Advance	
730	Section 106 Developers capital contributions	684
22	M6 Toll Monies	-
752	Total	684

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 2012/13 is shown in Note 33. Details of member's interest are recorded in the Register of Members' Interest maintained by the Council. During 2012/13, there were no significant works and services commissioned from companies in which members had an interest.

Officers

During 2012/13, 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 2012/13 that are required to be disclosed.

Entities Controlled or Significantly Influenced by the Council

There are no transactions in 2012/13 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.

2011/12		2012/13
£000		£000
29,372	Opening Capital Financing Requirement	94,769
	Capital Investment	
13,017	Property, Plant and Equipment	9,659
-	- Intangible Assets	-
59,245	HRA Self Financing	-
531	Revenue Expenditure Funded from Capital under Statute	788
	Sources of finance	
(974)	Capital receipts	(1,944)
(2,608)	Government grants and other contributions	(864)
(283)	Major Repairs Reserve	(4,393)
	Sums set aside from revenue:	
(2,552)	Direct revenue contributions	(1,314)
(252)	MRP	(451)
(107)	Finance Lease Payment	(135)
(620)	Provision reversed and debt repayment	(121)
94,769	Closing Capital Financing Requirement	95,994

2011/12 £000	Explanation of movements in year	2012/13 £000
	- Increase in underlying need to borrowing (supported by government financial assistance)	-
6,152	Increase in underlying need to borrowing (unsupported by government financial assistance)	1,225
59,245	HRA Self Financing	-
	- Assets acquired under finance lease	-
<u>65,397</u>	Increase/(decrease) in Capital Financing Requirement	<u>1,225</u>

39. Leases

Council as Lessee

Operating Leases of equipment

The Council no longer has any operating leases. Previous years are detailed below:

The future minimum lease payments due under non cancellable equipment leases in future years are: the following net amounts:

31 March 2012 £000		31 March 2013 £000
	3 No later than on year	-
	- Later than one year and not later than five years	-
	- Later than five years	-
<u>3</u>		<u>-</u>

The expenditure charged to the Environmental & Regulatory Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2012 £000		31 March 2013 £000
	3 Minimum Lease Payments	-
	- Contingent Rents	-
	- Sublease Payments Receivable	-
<u>3</u>		<u>-</u>

Financing Lease of Vehicles

The Council has a number of leases for refuse vehicles. 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 2012 £000		31 March 2013 £000
	797 Current Finance lease Liabilities	171
	- Non Current	490
589	Finance costs payable in future years	378
<u>1,386</u>	Minimum Lease Payments	<u>1,039</u>

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

	Minimum lease Payments		Finance Lease Liabilities	
	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000
Not later than one year	347	346	135	171
Later than one year not later than five years	1,039	693	662	490
Later than five years	-	-	-	-
Minimum Lease Payments	1,386	1,039	797	661

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:

2011/12 £000		2012/13 £000
244	Not later then one year	260
976	Later than one year and not later than five years	1,021
13,115	Later than five years	12,900
14,335		14,181

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

2011/12 £000		2012/13 £000
244	Minimum Lease Payments	260
-	- Contingent rents	-
-	- Sublease payments receivable	-
244		260

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 2012 £000		31 March 2013 £000
598	Not later than one year	584
1,855	Later than one year and not later than five years	1,739
6,574	Later than five years	15,398
<u><u>9,027</u></u>		<u><u>17,721</u></u>

The income total for 2011/12 (as disclosed in the 2011/12 accounts) is incorrectly stated for later than 5 years due to a review of the lease terms, the amount for later than 5 years should have been £15,531,000.

40. Impairment Losses

There were no impairments during 2012/13. The impairment for 2011/12 was £95,935.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £734,000 (£294,000 in 2011/12) - see Note 34 for the number of exit packages and total cost per band.

Of this total £401,000 is in respect of redundancy costs, £144,000 wages in lieu of notice and £189,000 for actuarial strain on pension, all due to the rationalisation of services.

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.

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.

	Local Government Pension Scheme	
	2012/13	2011/12
	£000	£000
		Restated
Comprehensive Income and Expenditure Statement		
Cost of Services:		
current service cost	2,069	2,191
past service costs	28	166
settlements and curtailments	261	92
Financing and Investment Income and Expenditure		
interest cost	5,654	5,942
expected return on scheme assets	(3,940)	(4,613)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	<u>4,072</u>	<u>3,778</u>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	7,961	6,707
Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>7,961</u>	<u>6,707</u>
Movement in Reserves Statement		
reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,072)	(3,770)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers contributions payable to the scheme	2,853	3,067
retirement benefits payable to pensioners		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £41,843,000.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation).

	Funded liabilities: Local Government Pension Scheme	
	2012/13	2011/12
	£000	£000
Opening balance at 1 April	118,476	108,593
Current service cost	2,069	2,191
Interest cost	5,654	5,942
Contributions by scheme participants	661	729
Actuarial (gains) and losses	14,376	5,076
Benefits paid	(4,418)	(4,313)
Past service costs	28	166
Curtailments / Settlements	261	92
Closing balance at 31 March	137,107	118,476

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2012/13	2011/12
	£000	£000
Opening balance at 1 April	69,537	67,153
Expected rate of return	3,940	4,613
Actuarial (gains) and losses	6,415	(1,631)
Employers contributions	2,934	2,986
Contributions by scheme participants	661	729
Benefits paid	(4,418)	(4,313)
Settlements		
Closing balance at 31 March	79,069	69,537

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £10,370,000 (2011/12 £2,998,000).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities					
Local Government Pension Scheme	(80,576)	(130,467)	(108,593)	(118,476)	(137,107)
Fair value of assets in the Local Government Pension Scheme	(80,576)	(130,467)	(108,593)	(118,476)	(137,107)
Surplus/(deficit) in the scheme					
Local Government Pensions Scheme	46,712	66,203	67,153	69,537	79,069
Total	(33,864)	(64,264)	(41,440)	(48,939)	(58,038)
Employer Contributions accrued not paid				81	
Unfunded adjustment for 2010/11			(323)		
Grand Total			(41,763)	(48,858)	(58,038)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £58.038m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a overall balance in unusable reserves of £37.785m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pensions Scheme by the council in the year to 31 March 2014 is £2,251,000.

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 31 March 2010.

	Local Government Pension Scheme	
	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.2%
Bonds	4.5%	3.3%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.2	21.2
Women	23.4	23.4

	Local Government Pension Scheme	
	2012/13	2011/12
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	25.6	25.6
Rate of Inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take-up option to convert annual pensions into retirement lump sum		
- pre April 2008 service	50.0%	50.0%
- post April 2008 service	75.0%	75.0%

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

	31 March 2013	31 March 2012
	%	%
Equity Investments	79	78
Bonds	12	12
Property	8	9
Cash	1	1
	<u><u>100</u></u>	<u><u>100</u></u>

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(93.3)	25.3	(4.5)	(2.3)	8.1
Experience gains and losses on liabilities	0.1	(0.1)	4.6	(1.6)	-

43. Contingent Liabilities

(i) 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, at the 31 March 2013 a provision has been made for £63,000 based on a 15% levy notice. 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 the 31st March 2013 that a solvent run off of the Company's business cannot be guaranteed.

(ii) Property Searches Claim

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £69,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

44. Contingent Assets

There are no contingent assets at the 31 March 2013.

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 implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 2 February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £101.8m.
- The Operational Boundary was expected to be £94.9m. This is the expected level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at fixed (100%) and variable (50%).
- Determination of the maximum and minimum exposures to the maturity structure of debt

The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and reviewed periodically.

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 in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

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 2012/13 was approved by Full Council on 2 February 2012 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is £10.7million at the 31 March 2012. 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 2013 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 2013 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2013 % C	Estimated maximum exposure to default £000 (A x C)	Estimated maximum exposure at 31 March 2012 £000
Customers (Sundry Debtors)	1,446	1	1	14	12
				<u>14</u>	<u>12</u>

No breaches of the Council's counterparty criteria occurred 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 £1.446m of the debtors balance of £2.642m shown in note 16 is past its due date for payment. This outstanding sundry debtor balance can be analysed by age as follows:

31 March 2012 £000	31 March 2013 £000
454 Less than one year	578
722 More than one year	868
<u>1,176</u>	<u>1,446</u>

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 its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

31 March 2012 £000	31 March 2013 £000
135 Less than one year	171
4,462 Between one and five years	4,290
79,542 More than five years	85,039
<u>84,139</u>	<u>89,500</u>

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	(70)
Impact on Surplus or Deficit on the Provision of Services	<u>(70)</u>
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	<u>-</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)	888

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 invest in equity shares and, therefore, is not exposed to losses arising from movements in the price of shares.

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 31st March 2013 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 District 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 District 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 £
2012/13				
Benton's Trust	(69)	-	(14,007)	-
Total	(69)	-	(14,007)	-

	Income £	Expenditure £	Assets £	Liabilities £
2011/12				
Benton's Trust	(69)	-	(13,868)	-
Total	(69)	-	(13,868)	-

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 District Council. The debt is administered by Walsall MBC with loans outstanding as at 31 March 2012 of £94,409.

2011/12 £000		2012/13 £000
12	Principal and Interest - OLA's	12
<u>12</u>		<u>12</u>

48. Long Term Borrowing

Balance 31 March 2012 £000	Ranges Of Interest Rates Payable %	Balance 31 March 2013 £000
	Source Of Loan	
3,800	Public Works Loan Board	4,600
60,745	Public Works Loan Board	60,745
9,400	Public Works Loan Board	14,100
1,400	Public Works Loan Board	1,400
5,360	Public Works Loan Board	5,360
2,600	Public Works Loan Board	2,600
37	Money Market	34
<u>83,342</u>		<u>88,839</u>

Balance 31 March 2012 £000		Balance 31 March 2013 £000
	Analysis of Loans by Maturity	
3	1 to 2 years	3,003
3,810	2 to 5 years	4,210
2,616	5 to 10 years	17
76,913	over 10 years	81,609
<u>83,342</u>		<u>88,839</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 2013. A summary of the heritage assets held by the Council is set out in Note 13.

50. Heritage Assets - Further Information on the Collections

Museum

The Council's Museum 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 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

2011/12 £000	Notes	2012/13 £000
Income		
17,934		18,697
417		435
18,351		19,132
Expenditure		
3,847	5	3,567
1,795		1,897
417		404
81		16
295		285
4,837	4	18
41		67
59,245	9	
5,978	6	9,831
27		
76,563		16,085
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.		
682		649
58,894		(2,398)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(479)		(294)
384		354
1,282		3,456
11		14
(1)		(1)
(122)		-
(15)		-
		(6)
		(345)
(130)		-
(81)		-
59,743		780
(Surplus) / Deficit for the year on HRA Services		

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2011/12 £000	Notes	2012/13 £000
59,743		780
HRA Income and Expenditure (Surplus) / Deficit		
479		294
(384)		(354)
140		418
(3,981)		(7,874)
(59,245)		
122		24
(30)		(143)
15		13
		345
48		65
1,534		1,419
1,852		4,428
293		(585)
(Surplus) / Deficit for the year on HRA Services		
2,214		1,921
Balance Brought Forward		
1,921		2,506
Balance Carried Forward		

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 2013 the Council was responsible for 5,383 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2012	Increase/ Decrease	Stock as at 31 March 2013
Flats			
1 Bedroom	936	(1)	935
2 Bedroom	294	(1)	293
3 Bedroom	6		6
Total	1,236	(2)	1,234
Houses & Bungalows			
1 Bedroom	1,307	(14)	1,293
2 Bedroom	1,142	29	1,171
3 Bedroom	1,668	(37)	1,631
4+ Bedroom	52	2	54
Total	4,169	(20)	4,149
Total HRA Dwellings	5,405	(22)	5,383

(ii) Valuation of Housing Assets

	Council Houses Owner £000	Land & Buildings £000	Total £000
Gross Book Value as at 31 March 2012	212,969	11,243	224,212
Additions and Transfers			-
Disposals	(632)	(122)	(754)
Impairment re Demolished Assets			-
Revaluations	(2,856)	515	(2,341)
Net Enhancements	1,676		1,676
As At 31 March 2013	211,157	11,636	222,793
Cumulative Depreciation b/fwd	(74,063)	(60)	(74,123)
Depreciation w/b		60	60
Depreciation for year	(1,814)	(62)	(1,876)
Net Book Value as at 31 March 2013	135,280	11,574	146,854
Net Book Value as at 31 March 2012	136,179	11,183	147,362

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2012 was £400,152,000. 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

The total arrears at 31 March 2013 in respect of dwelling rental income were £1,254,198. The provision for bad and doubtful debts was reviewed in the year. This resulted in an increase in the provision of £67,221.

2011/12 £000		2012/13 £000
308	Tenants Arrears - Current	347
914	Tenants Arrears - Former	907
<u>1,222</u>	Dwelling Arrears	<u>1,254</u>
36	Garage Arrears	38
	Cash in Transit	
<u>1,258</u>	Total Arrears	<u>1,292</u>
(1,229)	Bad Debt Provision b/fwd	(949)
949	Bad Debt Provision c/fwd	968
321	Write offs	48
<u>41</u>	Increase in Provision	<u>67</u>

1.86% Current Tenants Arrears as % of gross rents

4. Housing Revenue Account Subsidy Calculation

2011/12 £000		2012/13 £000
2,869	Management Allowance	
5,130	Maintenance Allowance	
3,313	Major Repairs Allowance	
1,123	Capital Financing Charges	
21	Interest re settlement payment	
(17,261)	Rents	
(2)	Interest on Receipts	
-	Anti-Social Behaviour Allowance	
<u>(4,807)</u>	Subsidy Paid	<u>-</u>
-	Defects repurchased	
(30)	Prior Year Adjustment	(18)
<u>(4,837)</u>	Total Subsidy	<u>(18)</u>

From 1 April 2012 the council has taken on the housing stock under self financing and consequently housing subsidy is no longer payable.

5. Repairs and Maintenance

The repairs and maintenance charge to the HRA can be analysed as follows:

2011/12 £000		2012/13 £000
3,848	Contribution to Housing Repairs Account	3,656
(1)	Building Works Surplus	(89)
<u>3,847</u>		<u>3,567</u>

The Council operates a Housing Maintenance trading operation which was previously designated a Direct Services Organisation. Housing Maintenance made a surplus of £89,520 in 2012-13 and in accordance with Government guidelines has been credited to Repairs and Maintenance expenditure as contained in the Housing Revenue Income and Expenditure Account.

6. Depreciation and Impairment Charges

(i) Depreciation

	2011/12 £000	2012/13 £000
Dwellings	1,909	1,814
Other Operational Assets	30	61
Vehicles	58	82
	1,997	1,957

(ii) Impairment Charges

	2011/12 £000	2012/13 £000
Impairment	3,981	7,874
	3,981	7,874

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 the previous year 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 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.

7. Capital

(i) Summary of Capital Expenditure

	2011/12 £000	2012/13 £000
Expenditure		
On Housing Properties	5,800	6,562
On Housing Vehicles		106
	5,800	6,668
Financing		
Borrowing	3,000	717
Usable Capital Receipts	-	270
Revenue Contributions to Capital	2,362	1,060
Reserves		228
Major Repairs Reserve	283	4,393
Grants	155	
	5,800	6,668

(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.

	2011/12 £000	2012/13 £000
Transfer to Major Repairs Reserve	3,313	3,377
	3,313	3,377
Capital Expenditure on houses within the HRA:		
Central Heating Upgrades	-	(1,146)
Upgrading of Electrical Systems	(283)	(396)
Replacement of Kitchens and Bathrooms	-	(637)
Bathroom Replacement	-	(767)
External Envelope Work	-	(1,447)
	(283)	(4,393)
Transfer re Depreciation on Non Dwellings	(30)	(144)
	(313)	(4,537)
Surplus / (Deficit) for the year	3,000	(1,160)
Balance at beginning of year	-	3,000
Balance at end of year	3,000	1,840

(iii) Summary of Capital Receipts

	2011/12 £000	2012/13 £000
Balance brought forward	-	15
Value of Receipts		
Land	15	140
Houses	552	705
Mortgage Repayments	5	4
Repayment Discount - Grant	54	
Bungalows	389	244
	1,015	1,093
Less		
Pooling to DCLG	(384)	(354)
Usable Receipts Applied to Capital Expenditure	-	(270)
Sale of Council Houses Expenditure	(66)	(23)
Transfer to General Fund	(550)	(446)
	15	-

8. Interest

The interest charge attributable to the HRA is calculated using a formula specified by the Government each year called the Item 8 calculation.

9. HRA Settlement

As part of the Localism Act 2011 the Government introduced self-financing for council housing with effect from 1st April 2012. The payments for authorities were made to or from the Government on 28th March 2012. The settlement payments were calculated based on the subsidy currently paid or received by each authority and resulted in each authority either taking on additional debt or the Government repaying some of the authorities debt. For Cannock Chase Council the settlement payment was taking on additional debt of £59.245 million which was borrowed from the PWLB over a 50 year period at a rate of 3.48%.

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.

	2011/12		2012/13
£000	£000		£000
		Income	
37,580		Council Tax	
7,877		Taxpayers	37,912
<u> </u>		Benefits	<u>7,776</u>
	45,457		45,688
	29,152	Non Domestic Rates	31,187
		Contribution towards previous year's Collection Fund Deficit	
	<u>74,609</u>	Total Income	<u>76,875</u>
		Expenditure	
31,299		Precepts and Demands	
6,581		Staffordshire County Council	31,471
2,058		Cannock Chase District Council (including Parishes of £0.588m)	6,614
5,403		Staffordshire Fire Authority	2,069
<u> </u>		Office of the Police and Crime Commissioner - Staffordshire	<u>5,433</u>
	45,341		45,587
		Non-Domestic Rates	
29,051		Payments to National Pool	29,910
142		Costs of Collection	139
39		Interest	<u>1</u>
<u> </u>	29,232		30,050
		Impairment of debts	
		Write offs	
-		Council Tax	138
-		Non Domestic Rates	1,072
		Provisions	
(269)		Council Tax	1,756
(80)		Non Domestic Rates	<u>65</u>
	(349)		3,031
		Council Tax	
	68	Distribution of previous year's Collection Fund Surplus	750
	<u>74,292</u>	Total Expenditure	<u>79,418</u>
	<u>(317)</u>	(Surplus)/Deficit for Year	<u>2,543</u>
		Movement of Collection Fund Balances	
	(501)	Balance brought Forward	(818)
	(317)	Add (Surplus)/Deficit for the Year	2,543
	<u>(818)</u>	Balance Carried Forward	<u>1,725</u>

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 99%. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

Council Tax Base 2012/13

Band	Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A Disabled	50.50	0.5556	28.05
A	11,861.57	0.6667	7,907.71
B	11,929.22	0.7778	9,278.29
C	6,949.60	0.8889	6,177.43
D	4,380.99	1.0000	4,380.99
E	1,582.00	1.2222	1,933.56
F	541.90	1.4444	782.75
G	233.45	1.6667	389.09
H	10.50	2.0000	21.00
	37,539.75		30,898.87
	Other Adjustments		(308.99)
			30,589.88

2. Council Tax Chargeable for a Band D Property

	2012/13 Precept £000	Council Tax £	2011/12 Council Tax £
Staffordshire County Council	31,471	1,028.81	1,028.81
Cannock Chase District Council: Parish Council (Average)	588	19.22	19.27
Cannock Chase District Council:	6,026	197.01	197.01
Office of the Police and Crime Commissioner - Staffordshire	5,433	177.61	177.61
Stoke on Trent and Staffordshire Fire and Rescue Authority	2,069	67.64	67.64
Total	45,587	1,490.29	1,490.34

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, but pays the proceeds into a central NNDR pool managed by Central Government. Government then re-distributes these proceeds to authorities based upon a standard amount per head of population.

The rates payable, subject to relief's and reductions, are calculated on the basis of Rateable Value of individual properties multiplied by a specified rate. The specified rate for 2012/13 was 45.83p (2011/12 43.3p).

The total non-domestic rateable value at 31 March 2013 was £84.695M (£84.366M at 31 March 2012).

4. The Fund Balance

The movement in the Fund Balance is summarised as follows:

2011/12	2012/13			Fund Balance at 31 March 2013
Fund Balance at 31 March 2011 £000	Previous Years Surplus Recovered £000	Add Deficit in 2012/13 £000	Surplus in year (Net Position) £000	Fund Balance at 31 March 2013 £000
(109) Cannock Chase District Council	100	244	344	235
(572) Staffordshire County Council	525	1,250	1,775	1,203
(99) Office of the Police and Crime Commissioner - Staffordshire	91	216	307	208
(38) Stoke on Trent and Staffordshire Fire Authority	34	83	117	79
(818)	750	1,793	2,543	1,725

5. Precepts and Demands on the Collection Fund

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

2011/12	2012/13		
Precepts / Demands less Share of Surplus £000	Precept / Demand for Year £000	Less Share of Surplus £000	Precept / Demand for Year £000
6,004 Cannock Chase District Council	6,026	100	6,126
586 Parishes	588		588
31,347 Staffordshire County Council	31,471	525	31,996
5,411 Office of the Police and Crime Commissioner - Staffordshire	5,433	91	5,524
2,061 Stoke on Trent and Staffordshire Fire Authority	2,069	34	2,103
45,409	45,587	750	46,337

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.

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.

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 2013.

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.

Curtailment

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 are) 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

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 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.

International Financial Reporting Standards (IFRS)

The government have announced that from the 2010/11 financial year they will expect public sector accounts to be prepared using International Financial Reporting Standards, adapted as necessary for the public sector.

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 an Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

National Non-Domestic Rate (NDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to local authorities based on the local resident population.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK CHASE DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Cannock Chase District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Cannock Chase District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cannock Chase District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Cannock Chase District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Cannock Chase District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2013

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2012-13**

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 2011, regulation 4(3), which requires all relevant bodies 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 2013 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 vision and the intended outcomes for citizens and service users are outlined in the Corporate Plan. The Council's vision and its priorities are reviewed annually. The Council's priorities are approved following consultation and incorporated into the Corporate Plan and the Community Strategy.
- The Council has a performance management framework to ensure delivery of the corporate priorities. The priorities are cascaded through the authority via the Corporate Plan, the Priority Delivery Plans, Delivering Change, service delivery plans and employees' personal development reviews.
- Forward-looking targets and performance indicators are established and monitored on a regular basis. Leadership Team, Cabinet and the Scrutiny Committee receive performance reports on a regular basis. They monitor and scrutinise the performance of services and the achievement of targets. Portfolio Leaders, Heads of Service and Service Managers are held to account for the performance of their service areas. A range of Policy Development Committees also assist in supporting the performance monitoring of Priority Delivery Plans. The Committees also review specific policy areas and explore community issues. 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, the Scrutiny Committee and the Policy Development Committees;
 - The Council's Delivering Change process enables resources to be re-directed to meet Council priorities and requires services to identify and deliver year-on-year efficiency savings.
 - 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.

Assessment of Compliance:

Compliance against this principle is adequate with measures in place in all areas.

A basket of performance indicators is to be re-introduced to give a measure of the Council's general health and performance. This will be monitored initially by the Leadership Team to ensure that an appropriate range of indicators are included. Quarterly financial reports are also to be re-introduced.

Sources of Assurance:

Heads of Service

Chief Executive

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 Chief Executive – 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 suitably experienced.

- The Monitoring Officer - the Head of Law & Administration at SBC had 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, the Scrutiny Committee and the Policy Development 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.

Assessment of Compliance:

Compliance against this principle is good with adequate measures in place.

Sources of Assurance:

Statutory Officers

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 are in the process of being reviewed.

Assessment of Compliance:

Compliance against this principle is adequate but with 2 areas for improvement.

- *The review of the Council's values needs to be completed and finalised with the Cabinet, prior to being rolled out across the organisation.*
- *The Code of Conduct for Employees needs to be reviewed and updated*

Sources of Assurance:

- *Heads of Service*
- *Statutory Officers*

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

- There is a Scrutiny Committee and a Health Scrutiny Committee 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 Committee. 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
 - risk management implications are included in committee reports; and
 - regular reports to the Audit & Governance Committee on the progress in managing strategic risks.
- 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.

Assessment of Compliance:

Compliance against this principle is adequate; there are however a number of key documents that need to be reviewed and updated:

- *Financial Regulations;*
- *Contract Procedure Rules;*
- *Confidential Reporting Policy*

Sources of Assurance:

- *Heads of Service*
- *Statutory Officers*
- *Internal Audit Annual Report*
- *Annual Risk Management Report*

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

- 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.
- Although no longer formally accredited through Investors in People the Council continues to maintain 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 Training Officer 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.

Assessment of Compliance:

Compliance against this principle is adequate but with 1 area for improvement.

- *Consideration is to be given to undertaking a survey of Members training and development needs, with a view to undertaking tailored member development.*

Sources of Assurance:

- *Heads of Service*
- *Statutory Officers*

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, Community Forums, 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. Engagement with the Community and stakeholders takes place through a variety of mechanisms:
 - Community Forums
 - Website
 - Social Media
 - Consultation Panel
 - Some specialist community groups in place eg for the disabled
- 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.

Assessment of Compliance:

Compliance against this principle is adequate with measures in place in all areas.

Sources of Assurance:

- *Heads of Service*

- 3.2 Appropriate governance arrangements are put in place for each partnership eg the LSP. Service Level Agreements have been put in place to ensure adequate governance of the 7 services which are shared with Stafford Borough Council.

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 Code of Practice for Internal Audit in Local Government in the United Kingdom.
- (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, together with discussions with the s151 Officer. 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 2012-13 has been used to provide an independent view on the adequacy of the governance framework. In their annual report to the Accounts & Audit 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 has identified one issue for inclusion in the Annual Governance Statement, this relates to concerns about non-compliance with Financial Regulations and Contract Procedure Rules. 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 monitored 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 report:

- (i) Annual Governance Report – the External Auditor’s Annual Governance Report was presented to the Audit & Governance Committee in September 2012. The report gave an unqualified audit opinion and stated that the financial statements were free from material error, there was an adequate internal control environment and that the Council demonstrated robust arrangements to secure economy, efficiency and effectiveness. One recommendation was made regarding the need for improvements to be made to the process for valuing land and property but this is not considered to be a significant governance issue.

- 4.6 **Risk Management** - during 2012/13 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. The strategic risk management process was successful in reducing 4 of the 12 potential risks; 1 of these went from High to Low and 3 from Medium to Low.
- 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.
- 4.8 **Statements of Assurance from the Statutory Officers** - assurances have been sought from the Head of Paid Service (ie Chief Executive), the Monitoring Officer (Head of Law & Administration at SBC) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance.
- 4.9 **Leadership Team** – in addition to the individual assurances received from the members of Leadership Team a discussion was held 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 already address and those to be specifically addressed with new actions are outlined below.

5. Significant Governance Issues

- 5.1 All significant governance issues are included in the action plan below.

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
Outstanding items from previous AGS		
The review of the Constitution to reflect changes and best practice has not yet been completed. A significant part of the work has been completed but now needs to be finalised and approved by Council.	Head of Law & Administration (Stafford Borough Council)	September 2013
The work in reviewing and updating the Contract Procedure Rules and Financial Regulations has not yet been completed. Training needs to be provided to support the launch of the new documents.	Legal Services Manager and Head of Finance	December 2013

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
The Code of Governance is out of date (due to changes in the senior management structure) and in need of review to reflect recent updated guidance.	Head of Governance	October 2013
Issues from 2012-13		
<p>Issues arising from the review of the Governance Framework:</p> <p>(i) Review of the Employee's Code of Conduct</p> <p>(ii) Review of the Confidential Reporting Policy</p> <p>(iii) Complete the review of Values and roll out across the Council</p> <p>(iv) Develop basket of performance indicators for monitoring by Leadership Team</p> <p>(v) Financial progress to be reported quarterly to Leadership Team and Cabinet</p> <p>(vi) Member training and development survey to be undertaken and options to be developed</p>	<p>Head of Human Resources, Head of Law & Administration and Head of Governance</p> <p>Head of Governance</p> <p>Chief Executive / Head of Governance</p> <p>Head of Policy / Leadership Team</p> <p>Head of Finance</p> <p>Head of Human Resources/Head of Governance</p>	<p>March 2014</p> <p>September 2013</p> <p>November 2013</p> <p>July 2013</p> <p>July 2013</p> <p>March 2014</p>
Issues for 2013/14		
Budgetary Issues – arising from CSR 2013. Sessions to be held with Cabinet to consider the future of the Council and the various savings and transformation strands available to the authority.	Chief Executive and Head of Finance	Ongoing

ISSUE	OFFICER RESPONSIBLE	TARGET DATE
Welfare Reforms – national changes to benefits payments, including council tax. Local scheme determined for changes to council tax. Impact of wider benefit changes to be monitored, especially the impact on arrears levels, and the impact on other services eg homelessness	Head of Finance	Ongoing
Local Enterprise Partnership (LEP) - potential changes to LEP governance as a result of the Governments intention to introduce a Single Growth Fund in 2015 and to make LEPs vehicles for European funding. To be monitored and respond to the changes through the Leader and Cabinet as the implications are clarified.	Chief Executive / Head of Planning & Regeneration	Ongoing
ICT Security Policies – updated policies to be finalised and introduced. Awareness to be raised and compliance monitored	Head of Technology	January 2014

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:

.....

Leader of the Council

.....

Date

.....

Chief Executive
on behalf of Cannock Chase District Council

.....

Date