

Please ask for: Matt Berry

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18 July, 2018

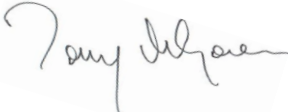
Dear Councillor,

**AUDIT & GOVERNANCE COMMITTEE
4:00PM, THURSDAY 26 JULY, 2018
ESPERANCE ROOM, CIVIC CENTRE, CANNOCK**

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

**PLEASE NOTE THAT TRAINING FOR COMMITTEE MEMBERS WILL BE
TAKING PLACE ON THURSDAY 19 JULY, 4PM, IN THE ESPERANCE ROOM**

Yours sincerely,



T. McGovern
Managing Director

To: Councillors

Grice, Mrs. D. (Chairman)
Dudson, Miss M.J. (Vice-Chairman)
Bowater, J.L. Stretton, Mrs. P.Z.
Crabtree, S.K. Tait, Ms. L.
Johnson, J.P.

A G E N D A

PART 1

1. Apologies

2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

To declare any personal, pecuniary or disclosable pecuniary interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. Minutes

To approve the Minutes of the meeting held on 19 June, 2018 (enclosed).

4. The Audit Findings for Cannock Chase District Council

Report of the External Auditors (4.1 – 4.25).

5. External Audit of the Statement of Accounts 2017/18

Report of the Head of Finance (Item 5.1 – 5.6).

6. Statement of Accounts 2017/18

Report of the Head of Finance (Item 6.1 – 6.113).

7. Annual Treasury Management Report 2017/18

Report of the Head of Finance (Item 7.1 – 7.8).

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 19 JUNE 2018 AT 4:00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Grice, Mrs. D. (Chairman)

Bowater, J. Johnson, J.P.
Crabtree, S.K. Tait, Ms. L.

Also Present:

- Jim McLarnon, Audit Manager, Grant Thornton (External Auditors).

1. Apologies

An apology for absence was received from Miss. M.J. Dudson, Vice Chairman.

2. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

3. Minutes

RESOLVED:

That the Minutes of the meeting held on 27 March, 2018, be approved as a correct record and signed.

4. Review of the Effectiveness of Internal Audit

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 4.1 – 4.8 of the Official Minutes of the Council) *(presented by the Chief Internal Auditor & Risk Manager)*.

The Chief Internal Auditor & Risk Manager outlined to the Members the following key aspects from the report:

- The External Quality Assessment had been carried out by Cipfa in November, 2016 and the outcome of the review reported to the Committee in March, 2017. It concluded that Internal Audit was effective and conformed

with the requirements of PSIAS/LGAN

- There had been one area of significant non-conformance related to PSIAS 1110 Organisational Independence. However, it had been considered that this area did not compromise the effectiveness of Internal Audit.
- The review had identified that the Audit Charter required updating.
- The Internal Audit Section would work in accordance with the Core Principles for the Professional Practice of Internal Audit as set out in the PSIAS.
- Where possible in relation to areas to be audited around Insurance, Risk Management and Health and Safety, the Chief Internal Auditor would act as client to the Principal Auditor and report to the Head of Governance and Corporate Services. In order to bring further independence, where possible an external contractor or an auditor from another Local Authority would be asked to carry out the audit.

In response to a question raised by a Member, the Chief Internal Auditor and Risk Manager advised that the use of contractors would come from salary savings from within the section.

RESOLVED:

That:

- (A) The findings of the annual review of the effectiveness of internal audit 2017-18 be noted.
- (B) Internal Audit generally conformed to the Public Sector Internal Audit Standards, was operating effectively and could be relied upon when considering the Annual Governance Statement for 2017-18.
- (C) The revised Internal Audit Charter be approved, in particular the introductions of the safeguards at paragraph 7.5 of the Charter for dealing with conflicts of interest when auditing areas where the Chief Internal Auditor had operational management responsibility.

5. Internal Audit Annual Report 2017/18

Consideration was given to the Report of the Chief Internal Auditor and Risk Manager (Item 5.1 – 5.22 the Official Minutes of the Council).

The Chief Internal Audit & Risk Manager outlined to the Members the following key aspects from the report:

Summary of Significant Findings for Audits Issued in Quarter 4

There was currently one Audit with a Limited Assurance, nine Audits with Partial Assurance and three Audits with Substantial Assurance.

Audits in Progress

There were currently four Audits in progress which would not be completed by the end of the year and would be carried over to 2017-18.

Significant Issues Arising 2017-18

There were currently eleven Audits with Substantial Assurance, fifteen Audits with Partial Assurance, one Audit with Limited Assurance and no Audits with zero Assurance.

Audit Performance

There had been two Audits deferred which were Asset Management and Non-housing Maintenance. These had been deferred due to staffing issues within Property Services.

RESOLVED:

That the Internal Audit Annual Report 2017/18 be noted.

6. Strategic Risk Register

Consideration was given to the Head of Governance and Corporate Services (Item 6.1 – 6.16 of the Official Minutes of the Council).

The Head of Governance and Corporate Services referred to paragraph 5.4 and reported that there had been a reduction of risks from six to five between 1 October, 2017 and 1 April, 2018. The number of Strategic Risks had fallen, two Strategic Risks had been deleted and one new risk had been added.

In response to a question raised by the Chairman, the Head of Governance and Corporate Services referred to the new risk “There is a reduction in investor confidence in the District” and explained that there was some planned work around regeneration. Members were advised that this risk had been rated as Amber which could be a cause for concern, however Officers would continue to work on this.

RESOLVED:

That the progress made in the identification and management of the strategic risks be noted.

7. Annual Governance Statement 2017/18

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 7.1 –7.19 of the Official Minutes of the Council).

The Head of Governance and Corporate Services outlined to Members the following key aspects from the report:

Significant Governance Issues

- Management Capacity and Delivery of the Council’s Corporate Priorities and Statutory Duties – capacity issue and forward direction being considered

- Cyber Security – cyber awareness training to be rolled out alongside Data Protection training

RESOLVED:

That the Annual Governance Statement for 2017/18 be approved.

8. Cannock Chase District Council Audit Fee Letter 2018/19

Consideration was given to the Letter of the External Auditors (Item 8.1 – 8.3).

RESOLVED:

That the Letter of the External Auditors be noted.

9. Progress and Update Report for Cannock Chase District Council

The External Auditor provided the Committee with a verbal update on the following matters:

The External Auditor reported that there was a statutory deadline of 31 May, 2018 for the accounts to be audited for 2017-18 which had been carried out.

He referred to the Audit Fee Letter 2018-19 and commented that the Council's scale fee for 2018-19 had been set at £40,124 which had seen a decrease by £12k. This fee was set for the next five years.

RESOLVED:

That the verbal update of the External Auditors be noted.

The meeting closed at 4:40 p.m.

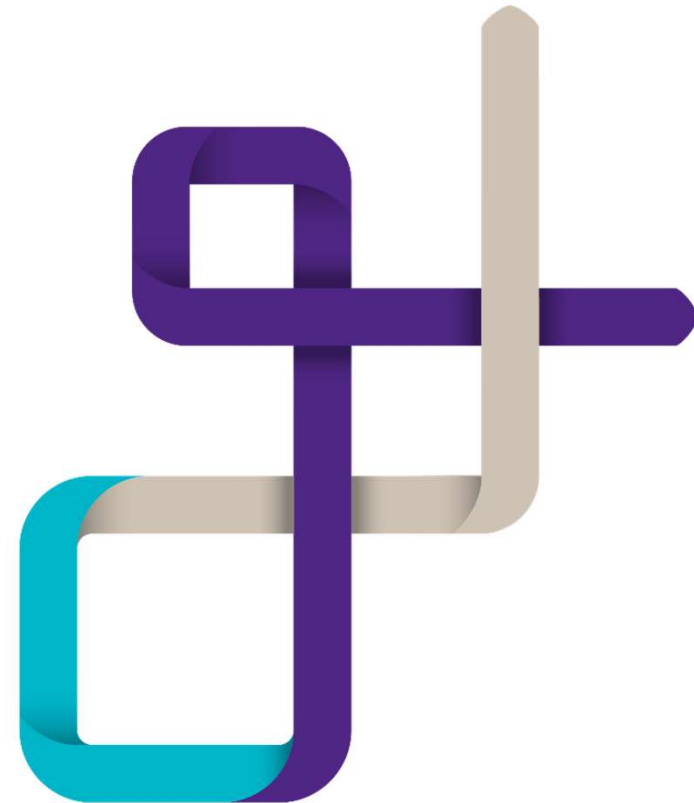
CHAIRMAN



Audit Findings

Year ending 31 March 2018

Cannock Chase District Council
26 July 2018



Contents



Your key Grant Thornton team members are:

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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Internal Controls
- D. Audit adjustments
- E. Fees
- F. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Cannock Chase District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during July. Our findings are summarised on pages 5 to 12. We have not identified any amendments to the financial statements that have resulted in an adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments and disclosure changes are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 26 July 2018, as detailed in Appendix F. These outstanding items include:</p> <ul style="list-style-type: none"> receipt of management representation letter; and review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cannock Chase District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix F. Our findings are summarised on pages 13 to 15.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. The working papers issued to the audit team were of excellent quality and the finance team were very supportive throughout when answering questions. This contributed to the audit team being able to complete the audit in line with the 31st July 2018 national deadline.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment including its IT systems and controls;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 26 July 2018, as detailed in Appendix F. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Cannock Chase District Council.

	Council Amount	Qualitative factors considered
Materiality for the financial statements	£1,277,000	<ul style="list-style-type: none"> • Business environment – the Council operates in a stable, publicly funded environment • Control environment – no significant deficiencies identified.
Performance materiality	£958,000	<ul style="list-style-type: none"> • No history of significant deficiencies or high number of deficiencies • No history of a large number of misstatements.
Trivial matters	£63,850	<ul style="list-style-type: none"> • Matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>1 Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Cannock Chase District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Cannock Chase District Council.</p>
<p>2 Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have completed the following audit work in relation to this risk:</p> <ul style="list-style-type: none"> – reviewed accounting estimates, judgements and decisions made by management – undertaken testing of journal entries – reviewed unusual/ significant transactions – reviewed significant related party transactions <p>Auditor Findings</p> <p>Our audit work has not identified any issues regarding the management override of controls. In particular the testing of journal controls and testing of journal entries has not identified any issues.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of property, plant and equipment The Council revalues its land and buildings on a five year basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have completed the following audit work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate • reviewed the competence, expertise and objectivity of any management experts used • reviewed the instructions issued to valuation experts and the scope of their work • discussed with the Council's valuer the basis on which the valuation was carried out, challenging the key assumptions • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding • undertaken testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. <p>Auditor findings</p> <p>Our audit work has not identified any issues regarding the valuation of property, plant and equipment included within the financial statements.</p> <p>As part of our audit work we also considered how management obtained assurance that assets not revalued in 2017/18 were materially correct. A robust review process was completed during the year following the issues raised as part of our 2016/17 audit in relation to assets not subject to revaluation. This included changing the revaluation date (from 1st April to 31st March), a more extensive review of the asset base not revalued in year, and discussions with the external valuer to establish any contributing factors impacting on asset values (for example obsolescence).</p> <p>The potential estimation uncertainty for assets not revalued was identified by management as up to £944,000. We reviewed the basis for this estimation and concluded that it was reasonable. Management's view is that this understatement is not material to the Council's accounts. As the potential estimation uncertainty is below our materiality threshold we have accepted this judgement.</p>

Significant audit risks - continued

Risks identified in our Audit Plan	Commentary
<p>4 Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have completed the following audit work in relation to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement • reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation • gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made • reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. <p>Auditor findings</p> <p>Our audit work has not identified any issues regarding the valuation of the pension fund net liability included within the financial statements.</p>

Reasonably possible audit risks




Risks identified in our Audit Plan	Commentary
<p>1 Employee remuneration Payroll expenditure represents a significant percentage (22%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding obtained the year-end payroll reconciliation and ensured amounts included within the financial statements can be reconciled to the ledger and through to payroll reports investigating any significant adjusting items agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness. <p>Auditor findings</p> <p>Our audit work has not identified any issues regarding employee remuneration included within the financial statements.</p>
<p>2 Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (51%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls obtained a listing from the cash book of non-pay payments made in April, and taken a sample of items using the non-statistical sample size calculator and ensure they have been charged to the appropriate year. <p>Auditor findings</p> <p>Our audit work has not identified any issues regarding operating expenses included within the financial statements.</p>

Other matters




This section provides commentary on new issues which were identified during the course of the audit that were not previously communicated in the Audit Plan.

	Issue	Commentary	Auditor view
1	Publication of the draft Annual Governance statement	<p>The national deadline for publication of the Local Authority's draft accounts (subject to audit) was 31st May 2018, which also included the publication of the Annual Governance Statement.</p> <p>However the draft annual governance statement was published in early June 2018 which is not in line with the Accounts and Audit Regulations 2015.</p>	<p>The Council need to ensure that the publication of the draft financial statements (subject to audit) and the Annual Governance Statement is published on their website by 31st May to ensure full compliance with the Audit and Accounts Regulations 2015.</p>
2	A number of assets with a net book value of zero are included within the fixed asset register	<p>As part of our review and reconciliation of the fixed asset register to the financial statements, we identified a number of assets that had a net book value of zero as at 31/03/2018.</p> <p>The inclusion of assets at nil NBV in the fixed asset register:</p> <ul style="list-style-type: none"> a) indicates an inappropriate UEL if the assets are still in used; and b) increases the risk of the Council being unaware of misappropriation of assets <p>Assets that are nil NBV should be disposed of and written out of the fixed asset register if they are no longer in service providing condition.</p>	<p>Discussions were held with management during the course of the audit and a full review was undertaken to establish how many assets were still being utilised by the Council and how many assets needed to be written out of the fixed asset register.</p> <p>The audit team were satisfied with this review and the disclosures within the financial statements were updated accordingly to reflect this. Going forward the Council need to ensure that the fixed asset register is reviewed on a regular basis and the necessary accounting entries are being processed.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue and capital transactions are accounted for on an accrual basis where above the de-minimus thresholds Government grants and other contributions are recognised where reasonable assurance has been gained that the Council will comply with relevant terms and conditions and it is likely the amounts will be received Income receivable from the sale of goods and rendering of services is recognised in line with the relevant conditions Collection fund income is recognised on an accrual basis 	<ul style="list-style-type: none"> The accounting policies are appropriate under relevant accounting framework i.e. CIPFA Code of Practice The accounting policy for revenue recognition has been adequately disclosed in the notes to the accounts The accounting policies adopted are consistent when benchmarked against other similar Local Government bodies 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of PPE Revaluations Impairments Accruals Valuation of pension fund net liability Provision for NNDR appeals Other provisions 	We discussed the significance of these items, both in terms of value and the extent of judgement and disclosure. We are satisfied with what has been disclosed in relation to critical judgements and significant estimates.	 Green
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation request(s) to various banking providers, other financial institutions with whom an investment deposit is held and various lenders. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
⑧ Significant difficulties	<ul style="list-style-type: none"> No difficulties have been identified as part of our audit procedures.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix F</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Cannock Chase District Council in the audit opinion, as detailed in Appendix F.</p>

Value for Money

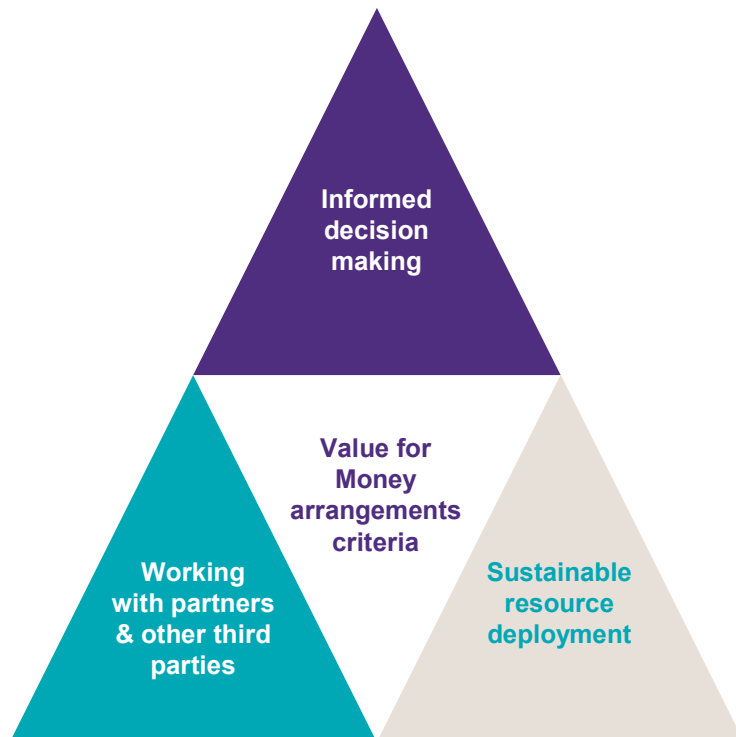
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Follow up of progress made in the implementation of the financial recovery plan, as highlighted as a significant risk in 2016/17
- Assessment of the key assumptions underlying the medium term financial strategy for reasonableness and appropriateness
- Consideration of the level of reserves balances of the Council over the lifetime of the medium term strategy and whether these are in line with minimum requirements

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 15.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix F.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Financial sustainability</p> <p>The Council has a challenging three year budget and significant pressures to manage delivery of services. This relies heavily on ensuring key cost saving measures are met. In response this we have undertaken the following:</p> <ul style="list-style-type: none"> Reviewed the implementation of the financial recovery plan and gained an understanding of progress made in realising savings: and Assessed the key assumptions underlying the medium term financial plan for reasonableness 	<p>One of the main issues identified as part of the 2016/17 VFM assessment was the impact on Business Rates income due to the closure of the Rugeley Power Station. The Council implemented a Financial Recovery Plan in April 2017 to ensure it could continue to deliver a balanced budget for the next four years.</p> <p>A substantial element of the Financial Recovery Plan is the construction and opening of the Mill Green designer outlet village. Once operational this will mitigate much of the loss in Business Rates income. It is also anticipated that it will prompt further regeneration of Cannock town centre. Although there have been some delays in the Mill Green project, the Council and its partners are committed to delivering this and it is on course for opening in 2020.</p> <p>The Council has implemented a range of cost saving measures and identified the planned use of reserves (General Fund working balances) to ensure a balanced budget. The Financial Recovery Plan required the delivery of a minimum of £1.59 million of savings by April 2019 and £1.26 million planned use of working balances over the three years 2017/18 to 2019/20.</p> <p>The Council's General Fund Revenue Budget 2018/19 to 2020/21 was reported to Cabinet in January 2018. This showed an overall improvement in the 2017/18 financial forecast, largely due to the over delivery of the Financial Recovery Plan and higher than anticipated Business Rate income. It also showed an anticipated £234,000 increase in working balances in 2017/18 and a net £401,000 planned use of balances in 2018/19 and 2019/20. An overall reduction in the planned use of balances of £1,093,000</p> <p>The financial outturn for 2017/18 was better than forecast resulting in £703,000 being transferred to General Fund balances compared to the £234,000 anticipated in the medium term budget. The General Fund working balances at 31 March 2018 are £3.14 million.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> The Council's overall financial position and outlook to 2019/20 is better than anticipated. There is still a significant planned use of working balances in 2019/20, but this is largely mitigated by the growth in working balances in 2017/18. The opening of the Mill Green Designer Outlet is a major component of projected income, arising from business rates. Delays in the delivery of this project will have a detrimental effect on the Council's overall financial position in the medium term. The Council needs to ensure that it is managing the risk of significant delays in this project effectively and has adequate financial contingency plans in place. Beyond 2019/20 there is continuing uncertainty over the future funding framework for local government. The details of the revised Business Rate retention system is not yet clear, nor is the future of New Homes Bonus or the impact of a Business Rate revaluation "re-set". The Council need to ensure that it has an appropriate level of reserves to maintain its financial resilience in this period of uncertainty. <p>Management response</p> <ul style="list-style-type: none"> The Council recognises the importance of Mill Green Designer Outlet and continues to work proactively with the developers to manage its delivery. The recent sale of the Council owned site to McArthurGlen being a key milestone towards its opening. Nevertheless, the Council continues to explore all means of delivering efficiency savings together with commercial and other income generation options. The Council has in addition ensured that over £2m of working balances exists to offset any potential delay and the uncertainty that exists in relation to the new financial regime from 2020/21.

Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We also confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E

Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £52,109 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.




The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Action plan

We have identified three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1 	Internal control, IT issues	<p>Management need to ensure that all internal control points raised within Appendix C are monitored and where applicable agreed actions are implemented to mitigate against any control risks.</p> <p>Management response Agreed subject to comments as included as part of prior year management response included on page 19.</p>
2 	Publication of the draft Annual Governance Statement	<p>Management need to ensure that the draft annual governance statement is published on their website alongside the draft financial statements by 31st May 2019.</p> <p>Management response Agreed.</p>
3 	Assets with a net book value of zero	<p>Management need to ensure that as part of the fixed asset procedures they consider/ review any assets with a net book value of zero for applicability and use.</p> <p>Management response Agreed.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations





We identified the following issues in the audit of [insert client name] Council's 2016/17 financial statements, which resulted in 6 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	<p>PPE accuracy</p> <p>Ensure adequate checking is completed on the arithmetic accuracy of valuation reports.</p>	<p>Substantive testing has been undertaken on PPE valuations in year, which included agreement of balances included within the local authority's fixed asset register back to completed external valuer's report.</p> <p>No issues have been identified from our procedures and therefore as an audit team we are satisfied that this issue has been addressed.</p>
2	<p>PPE valuations</p> <p>Ensure that the potential impact of changes in values is considered for the carrying value of assets not revalued and restate their values if material.</p>	<p>The Council had undertaken a vigorous review/ process during the year to try and address the issue raised in 2016/17.</p> <p>Further work was carried out by the Council including change of revaluation date (from 1st April to 31st March), a greater review of their asset base including a desktop revaluation exercise for DRC assets and closer contact with their external valuer to establish contributing factors that will impact the monetary change for assets not revalued (i.e. Obsolescence).</p> <p>Refer to 'Significant Risks' section within our report for more details.</p>
3	<p>Journal authorisation</p> <p>Ensure that all journals are appropriately authorised.</p>	<p>No issues have been identified from our review of authorised journal entries.</p>
4	<p>Housing Stock valuation</p> <p>Ensure that the Housing Stock valuation is supported by a certified valuer's report providing details on relevant matters including summarising the instructions given to the valuer, how potential conflicts of interest have been dealt with, the guidance applied in carrying out the valuation and in particular how the beacon principle has been applied, any other matters that may impact on the valuation (particularly consideration of vacant possession).</p>	<p>Changes have been made in year with regards to the housing stock valuation process.</p> <p>The audit team are satisfied that for 2017/18, the overall valuation has been supported by a certified valuer's report that provides sufficient detail.</p>
5	<p>Internal control, IT issues</p> <p>Ensure that the agreed actions are implemented to mitigate the internal controls identified relating to IT.</p>	<p>A review of all internal related control issues identified within the 2016/17 financial audit have been discussed with management accordingly and updated to reflect their current position. Refer to appendix C for more details. As not all recommendations have been actioned in year, this has therefore been flagged as not yet addressed.</p>
6	<p>Housing debt, former tenant arrears</p> <p>Critically review former tenant arrears and write off balances against the bad debt provision that are highly unlikely to be collectible.</p>	<p>Discussions have been held with management regarding the review of Housing arrears, in particular the provision provided for in year and whether these are considered to be a realistic view (i.e based on likelihood of collectability).</p> <p>The audit team are satisfied that a review has been undertaken during the year and associated bad debts that are no longer considered collectable have been written out accordingly.</p>



Assessment

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year internal control points

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1		<p>Use of generic system administrator account in Open Revenues</p> <p>This condition poses the following risk to the organisation:</p> <p>Generic accounts violate the principle of accountability, where all actions performed in a system can be linked to a named individual</p>	<p>Prior year management response</p> <p>We understand the concern raised, however due to the number of users who could run controls within Open Revenues and the need for these controls to be accessed easily by a number of users – the report user is an acceptable way of achieving this. The report user is not used for reports or system jobs which in anyway update Open Revenues and access to it is limited to two users within the Systems and Control team.</p> <p>Auditor findings</p> <p>Due to the size of the authority and the requirement of this function within the team, no changes have been made to address this control point for 2017/18. Therefore it remains a control issue and has been reported to management accordingly.</p>
2		<p>Security administration rights granted to those performing financial reporting processes or controls</p> <p>This condition poses the following risks to the organisation:</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by making unauthorised changes to system configuration parameters, creation of unauthorised accounts, making unauthorised updates to their own account's privileges, or deletion of audit logs or disabling logging mechanisms.</p>	<p>Prior year management response</p> <p>Responsibility for user administration with the exception of unlocking and changing passwords will be mainly restricted to the systems team. It is our intention to create audit reports of changes to user roles and responsibilities in order to provide additional reassurance.</p> <p>Auditor findings</p> <p>Updates have been made within the system where reports can be ran to identify changes made within the admin function and who was accountable. However this data is not yet being reviewed by an appropriate member of staff therefore a process has been put in place, however the control remains outstanding.</p>
3		<p>Absence of an up to date IT security policy</p> <p>This condition poses the following risk to the organisation:</p> <p>Without a comprehensive IT Security Policy in place which has been approved by senior management there is a risk that a culture of information security awareness will not be effectively embedded within the Council.</p>	<p>Prior year management response</p> <p>Addendum issued to IT security policy</p> <p>Auditor findings</p> <p>The Local Authority have issued an addendum to their IT security policy in relation to information security awareness. No issues identified and we are satisfied that this no longer represents a deficiency.</p>
4		<p>Weak logical access control within Consilium Total</p> <p>The password parameters for Consilium Total require users to create a password with at least six characters. This is below the recommended minimum length of eight characters.</p> <p>This condition poses the following risks to the organisation: Compromise of user accounts through password guessing or cracking; and/or Misuse of Consilium Total system accounts leading to loss of accountability of actions performed</p>	<p>Prior year management response</p> <p>The password length has now been increased to eight characters with a mixture of upper and lower case with effect from March 2017.</p> <p>Auditor findings</p> <p>The Local Authority have now updated the minimum length requirement within Consilium Total to allow for a minimum length of at least eight characters. No issues identified and we are satisfied that this no longer represents a deficiency.</p>

Assessment

-  Deficiency – risk of inconsequential misstatement
-  No longer represents a deficiency

Audit Adjustments

Impact of adjusted misstatements

There were no adjusted misstatements.

Impact of unadjusted misstatements

There are no unadjusted misstatements.

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements identified within the 2016/17 financial statements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Accounting policies	Adjustments were made to the 'General principles' section within the Council's accounting policies to demonstrate that the financial statements are prepared on a Going Concern basis.	✓
Note 43 – Pension prepayment	Adjustments were made to Note 43 within the financial statements to help provide greater clarity over the 2017/18 pension prepayment that the local authority have paid in year.	✓
Senior Officer Remuneration	Additional disclosures were added to the note, to provide substance over the shared roles covered by the shared service arrangement between Stafford Borough Council and Cannock Chase District Council, clearly documenting where overall employment lies for each role and with which entity.	✓
Related Parties	Additional information was included within the note to document the shared service arrangements between Stafford Borough Council and Cannock Chase District Council.	✓
Financial Instruments	Note disclosures were updated to ensure that both financial assets and financial liabilities were appropriately recognised in line with code requirements.	✓
CIES 2016/17 Restated figures	The 2016/17 audited Comprehensive Income and Expenditure Statement figures were restated in year due to a senior management restructure undertaken by the Local Authority. Updated disclosures were added to the face of the statement to demonstrate this and also to link the primary stated to associated notes for more detailed analysis.	✓
Other minor disclosures	A number of minor changes were made to the draft financial statements to help provide clarity and ensure full compliance with the CIPFA Code of Practice.	✓

Fees

We confirm below our final fees charged for the audit and **provision of non-audit services**.

Audit Fees

	Proposed fee	Final fee
Council Audit	52,109	52,109
Grant Certification	12,807	TBC
Total audit fees (excluding VAT)	£64,916	TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees
Audit certification – Pooling of Housing Capital Receipts (indicative fee)	2,500
	£2,500

Audit opinion

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Cannock Chase District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cannock Chase District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:
give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Deputy Managing Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Deputy Managing Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Deputy Managing Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages **[**xx to xx**]**, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:
we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Deputy Managing Director and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Managing Director. The Deputy Managing Director 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 2017/18, which give a true and fair view, and for such internal control as the Deputy Managing Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Managing Director is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Richard Percival

Richard Percival
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

26 July 2018



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Report of:	Head of Finance
Contact Officer:	Emma Fullagar
Telephone No:	01543 464720
Portfolio Leader:	Leader of the Council
Key Decision:	No
Report Track:	Audit & Gov Cttee: 26/07/18

AUDIT AND GOVERNANCE COMMITTEE**26 JULY 2018****EXTERNAL AUDIT OF THE STATEMENT OF ACCOUNTS 2017/18****1 Purpose of Report**

- 1.1 To report the process for the approval of the audited statement of accounts for the financial year ended 31 March 2018.

2 Recommendations

- 2.1 That members note the contents of the report with reference to the separate reports elsewhere on the agenda covering:
- a) The Audit Findings for Cannock Chase District Council;
 - b) Statement of Accounts 2017/18.
- 2.2 Members approve the Management Representation letter (to be signed by the Chair on behalf of the Committee).

3 Key Issues and Reasons for Recommendation

- 3.1 The Council is required to publish its accounts, including the auditor's report by 31 July each year.

4 Relationship to Corporate Priorities

- 4.1 The annual Statement of Accounts is an important part of the Council's corporate governance arrangements which cut across all of the Council's priorities.

5 Report Detail

- 5.1 The approval process for the Statement of Accounts requires the accounts to be certified by the Section 151 Officer (Head of Finance) by the 31 May as providing a true and fair view of the financial position of the Council as at the 31 March 2018. The accounts are then audited and considered by Audit and Governance Committee alongside the 'Audit Findings' report by 31 July 2018.
- 5.2 External Auditors are required to report the matters arising from their audit of the financial statements via the 'Audit Findings' report to Audit and Governance Committee before they are able to provide an opinion which will enable the accounts to be published.
- 5.3 The Council's external auditors have a duty to report to those charged with governance those issues arising from the audit of the financial statements of Cannock Chase District Council.
- 5.4 The auditors who must provide a representation in terms of their integrity, objectivity and independence will review and report on the following issues:
- Qualitative aspects of financial reporting
 - Misstatements within the accounts
 - Material weaknesses in internal control
- 5.5 The contents of the report and in particular any misstatements and recommendations for future improvements are discussed with officers following the audit and the accounts amended accordingly.
- 5.6 The 'Audit Findings' report forms a separate item on the agenda and details the changes made and recommendations for performance improvement.
- 5.7 Members should note that the report also provides an assessment of the arrangements put in place to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- 5.8 As part of the formal audit conclusion process, the Responsible Financial Officer is required to submit the attached Management Representation Letter (Appendix 1) to the Appointed Auditor having obtained acknowledgement by the Audit and Governance Committee.

6 Implications**6.1 Financial**

None

6.2 Legal

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

None

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7 Appendices to the Report

Appendix 1: Management Representation Letter

Previous Consideration

None.

Background Papers

File available in Financial Services

ITEM NO. 5.

AUDIT AND GOVERNANCE COMMITTEE
26 JULY 2018
MANAGEMENT REPRESENTATION LETTER

Richard Percival
Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

CONTACT Bob Kean
DIRECT DIAL 01543 464334
FAX
EMAIL bobkean@cannockchasedc.gov.uk
OUR REF
YOUR REF
DATE 26 July 2018

Dear Richard,

Cannock Chase District Council - Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Cannock Chase District Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Council's 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 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

xxvii The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 26 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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Report of:	Head of Finance
Contact Officer:	Emma Fullagar
Telephone No:	01543 464720
Portfolio Leader:	Leader of the Council
Key Decision:	No
Report Track:	Audit & Gov Cttee: 26/07/18

AUDIT AND GOVERNANCE COMMITTEE**26 JULY 2018****STATEMENT OF ACCOUNTS 2017/18****1 Purpose of Report**

- 1.1 To present the audited Statement of Accounts for 2017/18 to the Audit and Governance Committee for approval.

2 Recommendations

- 2.1 That the audited Statement of Accounts for 2017/18 be approved.

3 Key Issues and Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be approved by the Audit and Governance Committee.

4 Relationship to Corporate Priorities

- 4.1 The financial statements are an important part of the Council's corporate governance arrangements, which cut across all corporate priorities.

5 Report Detail

- 5.1 Members of Audit and Governance Committee are required to approve the Council's audited Statement of Accounts for 2017/18 by 31 July 2018, in accordance with the Accounts and Audit Regulations 2015.
- 5.2 The Audit Findings report which summarises the results of our external auditors' work for the year is presented elsewhere on the agenda.

5.3 The purpose of the Council's published Statement of Accounts circulated as a **SEPARATE BOOKLET** is to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

5.4 The Narrative Report on pages 3 – 24 of the **SEPARATE BOOKLET** 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.

5.5 The following comprise the key financial statements that are set out in the Statement of Accounts 2017/18:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund

5.6 **Comprehensive Income and Expenditure Statement (page 27)**

5.6.1 This statement shows the **accounting cost** in the year of providing services in accordance with generally accepted accounting practices, rather than the true cost of services to be funded from taxation. The Council raises Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost.

5.6.2 Therefore, accounting costs which are properly recorded within the Comprehensive Income and Expenditure Statement (e.g. notional charges such as depreciation and adjustments to pensions costs required by International Financial Reporting Standards) are excluded from the Council's Management Final Accounts because the Final Accounts Portfolio spending only reports the amounts that are required to met from Council Tax. Regulation prohibits notional charges such as depreciation being met from Council Tax.

5.6.3 In practice this means that there is a difference of £4.170 million between the bottom line reported in Portfolio spending (General Fund and HRA) (£7.737 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£11.907 million) which principally relates to the complex notional accounting adjustments required by International Financial Reporting Standards and adjustments for reserves. Further details are provided in notes 6 and 7 on pages 47 to 50 of the **SEPARATE BOOKLET**.

5.6.4 The Comprehensive Income and Expenditure Statement on page 27 reveals an increase in the net cost of services year on year of £3.053 million (2017/18 £11.907 million and 2016/17 £8.854 million). This increase primarily relates to changes in capital charges £2.756 million. A full analysis of the differences is shown in note 5 on page 47.

5.6.5 Other Comprehensive Income and Expenditure Account transactions include a surplus (£21.501 million) on the revaluation of Plant, Property and Equipment assets as contained in the Balance Sheet together with a re-measurement of the net defined benefit liability of (£2.925 million). Both transactions relate to the Unusable Reserves classification of the accounts and hence have no overall impact upon the financial position of the Council.

5.6.6 Overall, a decrease in comprehensive income and expenditure of £2.011million was recorded in 2017/18 (2017/18 surplus of (£22.158) million and 2016/17 surplus of (£24.169) million. This change is primarily due to increase in the cost of services as set out in paragraph 5.6.4, partly offset by reduced financing costs reflects changes in interest payments for pensions.

5.7 **Movement in Reserves Statement (pages 28 - 29)**

5.7.1 The Movement in Reserves 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 unusable reserves such as the Capital Adjustment Account and the Pensions Reserve. The (surplus)/deficit on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement on page 27 of the **SEPARATE BOOKLET**.

5.7.2 The Movement in Reserves Statement shows that the Council's total usable reserves decreased from £22.951 million on 31 March 2017 to £22.377 million on 31 March 2018, a decrease of £0.574 million. Usable reserves have decreased primarily as a result of usage of Capital receipts and Major repairs reserve for capital financing.

5.8 **Balance Sheet (page 30)**

5.8.1 There has been an increase in net assets of £22.158 million (2017/18 £99.939 million net assets, 2016/17 £77.781 million net assets). The biggest change to report in relation to the Council's Balance Sheet relates to the increase in Property Plant and Equipment of £20.872 million, this is largely due to the revaluation of assets, with Council dwellings increasing by £12.005 million during 2017/18. Other land and buildings have increased by £5.325 million primarily relating to increases in build costs for assets valued at depreciated replacement cost. There is also a large increase in assets under construction of £2.694 million reflecting part completed spend on new and improved assets. Further details of changes are provided in page 22 & 23 of the narrative report in the **SEPARATE BOOKLET**.

5.9 Cash Flow Statement (page 31)

5.9.1 The Cash Flow Statement 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 £4.368 million relates primarily to changes in investing and financing activities detailed in notes 28, 29 and 30 on pages 70 - 71 of the **SEPARATE BOOKLET**.

5.10 Housing Revenue Account (page 91)

5.10.1 The Housing Revenue Account outturn shows a deficit of £0.041 million in 2017/18 compared with a surplus of (£0.151million) in 2016/17. This change is in line with the budget set for 2017/18 which forecast a planned deficit of £0.140 million. The housing working balance now stands at £1.739 million as at 31 March 2018. This is some £0.099 million in excess of the minimum requirement.

5.11 Collection Fund (page 95)

5.11.1 As a billing authority, the Council is required to provide the Collection Fund Income and Expenditure Account which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

5.11.2 The net position on the Collection Fund in respect of Council Tax for the year was a surplus of £0.725 million which after taking account of brought forward surpluses of £0.898 million leaves a net surplus of £1.623 million (of which £0.228 million relates to this Council). The surplus will be taken into account within the Council Tax calculations for 2019/20.

5.11.3 The net position on the Collection Fund in respect of National Non-Domestic Rates for the year is a surplus of £1.770 million which after taking account of brought forward deficits of £1.115 million leaves a net surplus of £0.655 million. Cannock Chase's share of the surplus is £0.262 million.

5.11.4 A surplus of £0.655 million exists in relation to Business Rates as at 31 March 2018. The change of £1.770 million during the year is principally due to a reduction in the provision for appeals of £1.113 million the main change in appeals relates to the settlement of Rugeley Power Station.

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

None

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7 Appendices to the Report

Appendix 1: Audited Statement of Accounts 2017/18.

Previous Consideration

None

Background Papers

File available in Financial Services

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STATEMENT OF ACCOUNTS 2017/2018



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Cannock Chase District Council – Statement of Accounts**CONTENTS**

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Narrative Report

The Statement of Accounts for the year ended 31 March 2018 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2017/18 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information for the 2017/18 financial year so that members of the public, (including electors and residents of Cannock Chase Council), Members, partners, stakeholders and other interested parties are able to:

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

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

- An Overview of Cannock Chase District Council;
- Financial strategy and resource allocation
- The Council's Performance 2017/18
- Future Outlook and Issues Facing the Council
- Explanation of the Financial Statements.

1.1 Overview of Cannock Chase District Council

Cannock Chase District covers over seven thousand hectares on the northern border of the West Midlands conurbation and forms one of the eight Districts of the County of Staffordshire. The District incorporates the towns of Cannock, Rugeley and Hednesford. Cannock Chase itself is a designated Area of Outstanding Natural Beauty, and 60% of the District is designated as Green Belt. The District has strong transport infrastructure including the M6, M6 Toll and A5 trunk road, alongside rail connections to Walsall and Birmingham.

The District Council is a member of both the Greater Birmingham and Solihull Local Economic Partnership (LEP) and the Staffordshire and Stoke-on-Trent LEP whose purpose is to promote economic growth and investment. In 2015, the Council joined the West Midlands Combined Authority as a non-constituent member, recognising the existing economic, social and cultural linkages between the Cannock Chase and the region and the potential for further collaboration and investment in the future.

There are a number of factors which affect the Council's services and its finances. A number of key statistics are highlighted below which impact the Council's financial position and which provide a basis for our ongoing priorities and strategic objectives.

Key Statistics

Population - 98,534 residents, of which 96.5% are classified as White British. Of the total population in 2016, around 17,700 were aged under 16, 62,500 were of working age (16-64) and 18,300 were over the age of 65.

The Population is projected to rise to roughly 105,000 by 2039. Much like other local authority areas, the District population is anticipated to change in age by 2025, with a decline in younger residents accompanied by a much larger increase in older aged residents.

Area - Over 7,000 hectares

Households - Over 44,000 households including over 5,000 council homes

House Price - £163,150 average property price (as of March 2018)

IMD - The Index of Multiple Deprivation (IMD) 2015 ranked Cannock Chase as the most deprived district in Staffordshire. It is ranked 133 out of 326 local authorities in England. Deprivation as measured in the IMD 2015 occurs particularly in the domains of Education, Skills and Training, Employment, Health and Disability, and Income. It is estimated that approximately 19% of children aged 0-15 in Cannock Chase are living in income deprived families alongside 17.9% of people aged over 60 who live in income deprived households.

Earnings - £359 per week (average as at April 2015)

Employment - An unemployment rate of just over 1%

Education - GCSE/NVQ - 25.4% of residents in the District aged 16-64 had qualifications equivalent to NVQ 4+ in 2016

Health & Leisure - Levels of physical inactivity remain high in the District, with 46.3% of residents classed as physically inactive, compared to a West Midlands average of 30.9% and an England average of 28.7%.

Businesses in the district - 3,327 businesses registered. The largest business within the district was Rugeley Power Station which at its peak had a rateable value of £7.85 million representing 9% of Business Rates for the District. The power station closed in June 2016.

The District is however home to a number of key businesses and thriving small and medium sized enterprises (SMEs), operating in sectors including; the automotive trade, logistics and distribution and other specialist national and international manufacturing businesses. The Wholesale and Retail trade in particular provides the largest share of employment, with 25.6% of the jobs as of 2016. This is over 10% higher than the Great Britain average. Logistics (transportation and storage) accounts for 10.3% of the employment in the District, compared to a Great Britain average of just 4.9%.

1.2 Political Composition and Leadership

Cannock Chase District Council came into being on 1 April 1974, following the merger of the Cannock and Rugeley Urban District Councils and the inclusion of Brindley Heath from the former Lichfield Rural District Council. There are 41 Councillors representing 15 wards, who are democratically elected representatives responsible for setting the policy direction and budgets of the Council. The political composition of seats as of 3 May 2018 is as follows:

Party Name	Seats
Labour	21
Conservatives	15
Green Party	3
Independent	1
Liberal Democrats	1

The Council receives its funding through four primary sources; council tax, business rates, fees and charges and specific grant funding. Following direction from the political leadership, and supporting the work of the elected members, is the Council's Leadership Team.

The current make-up of the team includes a Managing Director and five Heads of Service, plus three further heads of service from shared services arrangements with Stafford Borough Council:

Managing Director - **Tony McGovern**

Deputy Managing Director and Head of Finance - **Bob Kean**

Head of Environment and Healthy Lifestyles - **Mike Edmonds**

Head of Economic Prosperity - **Paul Beckley (interim)**

Head of Governance and Corporate Services - **Judith Aupers**

Head of Housing and Partnerships - **Nirmal Samrai**

Head of Human Resources - **Neville Raby (Stafford Borough Council)**

Head of Law and Administration - **Alistair Welch (Stafford Borough Council)**

Head of Technology - **Peter Kendrick (Stafford Borough Council)**

The Council employs approximately 434 full time equivalent staff who collectively have a diverse range of skills and specialisms.

1.3 Purpose

The Council provides a number of statutory and additional services to residents. These services include:

Arts and Culture - Supporting and developing arts and culture through the Prince of Wales Theatre, the Museum of Cannock Chase and other events held in the District. These services are provided on the Council's behalf by Inspiring Healthy Lifestyles.

Leisure and Healthy Lifestyles - Encouraging and supporting residents to be active, look after their health through the provision of leisure centres and sports developments, (these services are also provided by Inspiring Healthy Lifestyles), with the Council also providing and maintaining parks and green spaces, allotments and playing pitches, including The Stadium

Environmental Services - Providing refuse collection, recycling, street cleaning and noise / pest control services to help keep the community clean and protected.

Environmental Health - Aiming to improve the lives of those who live and work in Cannock Chase District and those who visit the area and to protect the environment; helping businesses, individuals and families across the District to provide safe food and providing licenses for a wide range of activities.

Economic development - Encouraging business development and growth within the District, promoting town centre regeneration, whilst continuing to support local public transport and maintaining Council car parks.

Partnership / community safety / CCTV - Working with a wide range of partners and adopting a multi agency approach to help reduce crime and anti-social behaviour in the District and support an increasing number of vulnerable people. As an authority we also fund, maintain and monitor a 24 hour CCTV service across the District.

Housing - Supporting the provision of affordable housing and improving accommodation standards for private tenants as well as supporting residents experiencing issues of homelessness.

Planning and Building Control - Dealing efficiently with planning applications and providing building control services across the District.

Internal functions - All the above services are supported by a number of internal functions including customer services, HR, IT, finance and legal services. Some services are shared with Stafford Borough Council.

In addition the Council acts as a **landlord for its housing stock** and provides for the maintenance, management and investment in its 5,154 stock of properties.

Cannock Chase Council operates in a two tier local government structure with Staffordshire County Council responsible for services including social care, education, children's services, highways and libraries.

1.4 Corporate Business Plan

The statistics outlined about the District form a key evidence base for the Council's Corporate Plan. During the lifetime of the last Corporate Plan, the Council faced significant financial austerity as a result of further Government funding cuts and additional financial pressures such as the premature closure of Rugeley Power Station. The Council worked hard in 2016-17 to implement a Financial Recovery Plan to achieve a balanced budget by 2019-2020 and to protect front line services.

As a Council we are ambitious for the future and want to build on the progress made over the last three years to make sure we attract more opportunities for our local communities. The Corporate Plan conveys the vision and narrative of how the Council as an organisation will develop and evolve to meet ongoing challenges. Going forward we have identified two key priorities for the next five years (2018-2023) as shown here:



Although two separate priorities, 'Promoting Prosperity' and 'Community Wellbeing' cannot be achieved in isolation of one another. As a Council, we see them as interlinking and reinforcing each other, with the aim of improving opportunities, well being and quality of life in all of our communities.

Promoting Prosperity builds on the strengths of Cannock Chase, including our central strategic location, transport links and high levels of employment. Our vision for the District focuses on continued business growth and attracting more high skilled employment - coupled with supporting residents to increase the skill levels needed for the future whilst raising aspirations in order to secure employment in higher skilled jobs. It is also important for us to maximise the opportunities presented by the opening of the McArthurGlen Designer Outlet

Cannock (scheduled for 2020) by attracting further investment, visitors and employment into the District.

Our strategic objectives identified for achieving this over the next five years are:

- Establishing McArthurGlen Designer Outlet Cannock as a major visitor attraction and maximising the benefits it will bring to the District
- Increased housing choice
- Creating a positive environment in which businesses in the District can thrive
- Increasing the skill levels of residents and the amount of higher skilled jobs in the District
- Creating strong and diverse town centres to attract additional customers and visitors
- Increasing access to employment opportunities
- Commencing regeneration of the Rugeley Power Station site

Community Wellbeing focuses on continuing to improve and benefit from the natural environment and heritage that makes Cannock Chase unique, including its award winning parks and open spaces, modern leisure facilities and vibrant local communities. Whilst we are continually working to improve the health and wellbeing of the District, issues still remain within our communities, with relatively high levels of long term-illness and obesity. It is important that we work to identify the best way to spend public funds allocated to parks, open spaces and sports and leisure facilities to maximise their benefits and support improved health and wellbeing.

The following strategic objectives have been identified to support the community wellbeing priority:

- Opportunities for healthy and active lifestyles
- Sustaining safe and secure communities
- Supporting vulnerable people
- Promoting attractive and healthy environments

1.5 Governance

Cannock Chase Council recognises that it 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.

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

The Council has in place a Code of Corporate Governance which identifies six principles that the Council adheres to:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Further information on the governance arrangements in place to support these principles can be found in the Council's Code of Corporate Governance.

The Council undertakes an annual review of its governance arrangements and this is summarised in the Annual Governance Statement.

1.6 Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of the authority's overall framework to deliver continuous improvement.

The Council has outlined three key risks and uncertainties in relation to the delivery of the Corporate Plan 2018-23:

- **Exiting the EU** - The District currently benefits from EU funding for specific programmes tackling skills and employment issues along with a variety of business support initiatives. The Government has provided a certain level of guarantee for these funds post exiting the EU. However, it is unclear how these monies will be devolved and accessed in order to continue to give maximum benefit to the District. Where these impacts are potentially negative for the local economy such as a loss of investor confidence, the Council will work in partnership with all parties to mitigate these as much as possible so that the prosperity of the District continues to grow.
- **Financial Resilience** - The financial resilience of both Cannock Chase Council and the wider public sector represents a significant risk to delivery. The Council has had its Government grant reduced by 60% in the last three years and its long term funding is insecure. The Council will ensure it has a robust medium term financial plan and will proactively engage with Government on the proposals for a new funding regime in local government from 2020. The Council will work in partnership with all public bodies to maximise the benefits delivered by public funds.
- **Capacity** - In order to meet the financial pressures faced by the Council, there has over recent years been a reduction in management and staffing. While there are sufficient resources to deliver our day to day services, the Council has limited capacity to deliver projects or unexpected challenges. This could have an impact on our delivery of key projects associated with our priorities.

More information can be found in the Risk Management Strategy and the Strategic Risk Register.

The Council has a wide number of opportunities as reflected in its Corporate Plan (see Section 1.4).

2. Financial Strategy and resource allocation

2.1 Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2017/18, in terms of the Council's management accounting framework, rather than the statutory IFRS framework.

The Council undertakes two distinct roles;

- The provider of services, functions and responsibilities for all its residents as a District Council (General Fund); and as
- A landlord for its housing stock (Housing Revenue Account)

In addition to the former role the Council also acts as the billing and collecting authority for Council Tax and Business Rates for precepting and other bodies via its Collection Fund.

2.2 General Fund- 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 by Council Tax payers and central government funds including income derived from business rates under the Business Rates Retention scheme.

The Band D Council Tax for 2017/18 was £208.87.

The Council approved net revenue spending of £10.817 million for 2017/18 as reflected in its Portfolio budgets. The actual spend was £10.672 million (-1.34%) less than budgeted. The following table sets out the overall net revenue spending and financing compared with the budget for the year:

	Budget	Actual	Variation
	£'000	£'000	£'000
Portfolio Budgets	10,817	10,672	(145)
Investment income	(158)	(152)	6
Interest Payable	122	95	(27)
Technical items	213	245	32
Use of Government Grants	(1,014)	(1,040)	(26)
Business Rates Pool	(193)	(276)	(83)
Net Revenue Budget	9,787	9,544	(243)

Financed by:

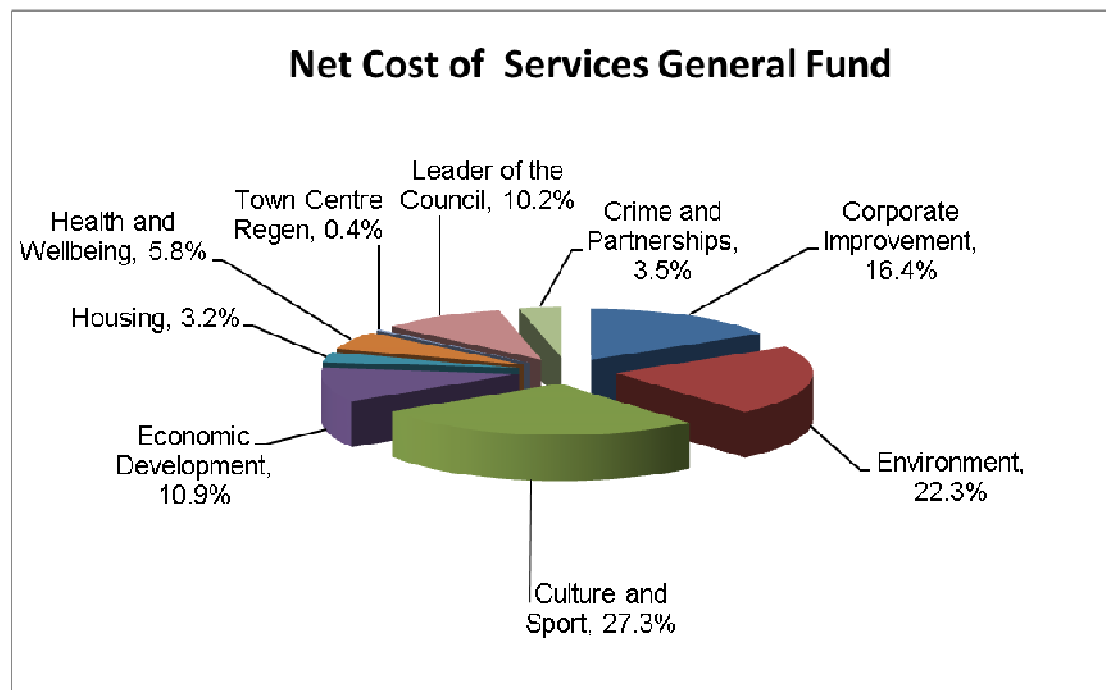
Demand on Collection Fund	(5,759)	(5,759)	-
Collection Fund Surplus	(16)	(16)	-
Revenue Support Grant	(776)	(776)	-
Business Rates Retention	(3,469)	(3,696)	(227)
Transfer to/(from) Working Balance	233	703	470
Total financing	(9,787)	(9,544)	243

The table above shows the budget anticipated net expenditure of £9.787 million, to be principally funded from Council Taxpayers (£5.759 million) and Business Rates / Central Government (£4.245 million).

The actual position shows that Portfolio net expenditure was £0.145 million lower than budgeted, financing and other adjustments also showed an increase of £0.325 million principally in relation to business rates.

The overall position, actual net expenditure and financing, resulted in a transfer of £0.703 million to the General Fund working balance as compared to the budgeted figure of £0.233 million.

The graph below 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 outturn table above and therefore presents the same financial information but includes further accounting entries to comply with the Code. This statement is now produced in line with the management reporting to Cabinet and Scrutiny (after the adjustments detailed in the Expenditure and Funding Account notes (number 6 and 7 to the accounts)).



2.3 Financial performance against Budget in 2017/18

Portfolio expenditure was £0.145 million lower than the budget. The **principal variances** on each portfolio are as follows, ((+) is an unfavourable variance (-) is a favourable variance):

Corporate Improvement

- Land Charges - additional grant income £-16,000 (-), search fee income £6,000 (-) and property search provision no longer required £9,000 (-)
- Risk – lower professional fees £14,000 (-)
- Staffing variations £25,000 (-)

Environment

- Waste and Recycling- reduced recycling income partly offset by reduced gate fees £14,000 (+), staffing variations £11,000 (+) and sale of materials £16,000(-)
- Regulatory – additional pest control income £9,000 (-)
- Countryside management – staffing variations £4,000 (+) and additional transport costs £4,000 (+)
- Off Street Parking – reduced income £22,000 (+)
- Private Sector Housing – recharge of salaries to capital £18,000 (-)
- Public Clocks – additional repair costs £8,000 (+)
- Bus Shelters – reduced income £4,000 (+)

Culture and Sport

- Parks – reduced grounds maintenance and streetcleansing cost £39,000 (-) and additional income £9,000 (-)
- Leisure management contract – reduced utilities income £8,000 (+)

Economic Development

- Development control – additional planning fee income £114,000 (-) partly offset by staffing variations £79,000 (+)
- Staffing variations £16,000 (+)

Housing (Housing General Fund)

- Housing services – lower bed and breakfast costs £6,000 (-)

Health and Wellbeing

- Food safety – additional income from court costs £20,000 (-)
- Taxation – rateable value finders fee £30,000 (+), court costs income (net of bad debts provision) £24,000 (-), additional contributions £29,000 (-) and lower operational costs £38,000 (-)
- Licensing – backdated refund of income and legal costs £13,000 (+)

Town Centre Regeneration

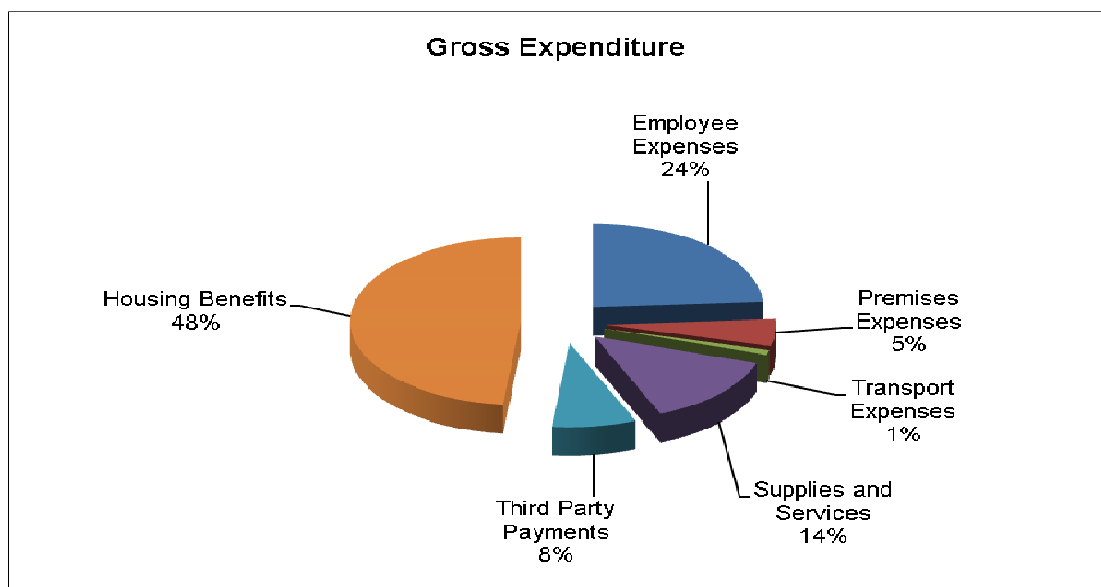
- Markets reduced income £43,000 (+) partly offset by reduced premises and operational costs £23,000 (-)
- Town Centre Management increased rent income £5,000 (-)

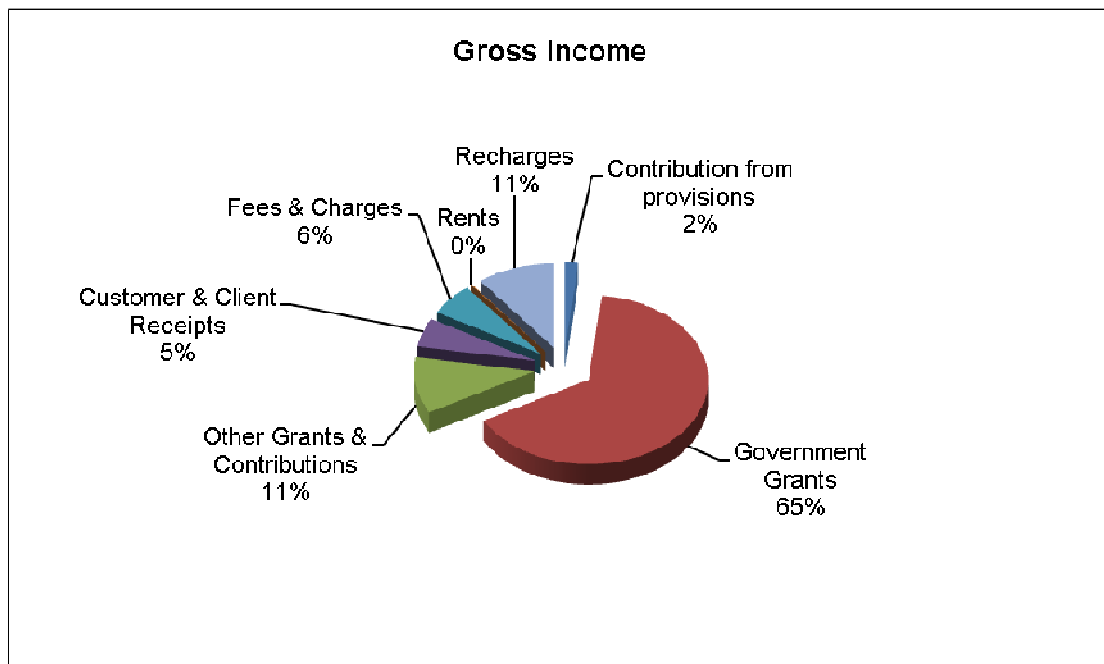
Leader of the Council

- Corporate management – asset valuation cost £14,000 (+)
- Elections – staffing variations £12,000 (+) and by election costs £10,000 (+)

Crime & Partnerships

- Staffing variation - £10,000 (-)





2.4 Collection Fund

The overall amount of Council Tax required by the precepting authorities to be collected through the Council's Collection Fund was £44.876 million, with the District Council's element being £5.759 million and £0.647 million required by Parish Councils in the District.

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

The net position on the Collection Fund for the year was a surplus of £0.725 million for Council Tax which after taking account of previous years' surpluses leaves a net surplus on the fund of £1.623 million at 31 March 2018 (of which £0.228 million relates to this Council).

A surplus of £0.655 million exists in relation to Business Rates as at 31 March 2018. The surplus is however notional and represents a timing difference between estimated Business Rates returns and actual returns. This Council's actual retained Business Income is in line with the Income and Expenditure account after taking into account the timing deficit required as part of the Collection Fund Statutory requirements.

2.5 General Fund Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April 2017 was £2.434 million and this was increased during 2017/18 to £3.136 million at 31 March 2018. 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 2017, earmarked reserves stood at £9.727 million and increased to £9.786 million at 31 March 2018.

2.6 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 2018 showed the Council's share of the fund to be a deficit of £70.638 million. The fund deficit has no impact on the level of Council Tax. The remaining deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

2.7 General Fund Capital Expenditure

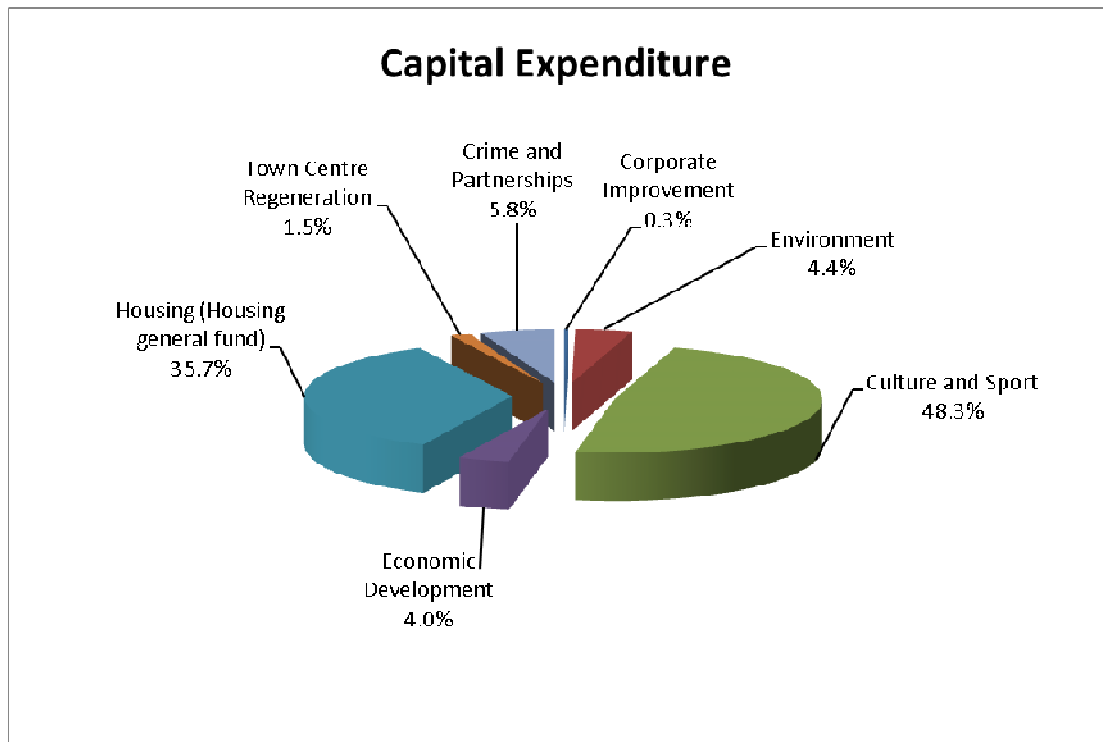
The Council approves the Capital Programme for the financial year as part of the budget process and the amount that can be spent is limited by the amount of capital resources available to the Council.

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.

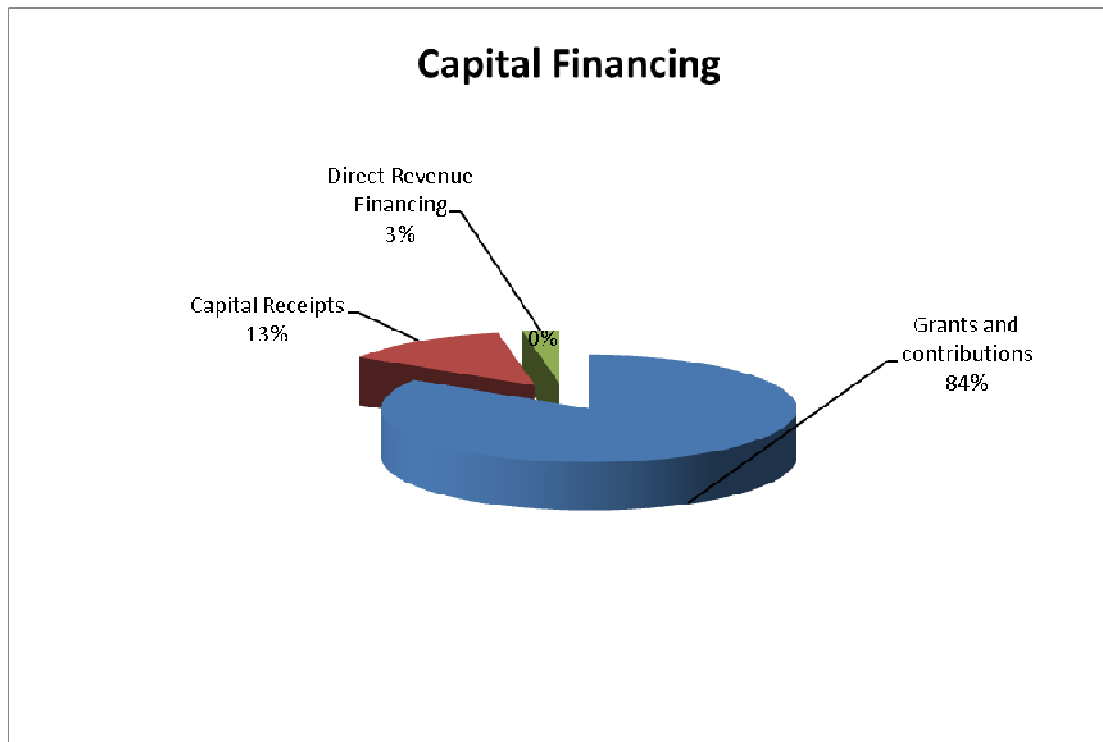
The Council spent £2.560 million on capital projects in 2017/18, which was £0.861 million less than the budget of £3.421 million. The main reasons for the variation in 2017/18 is slippage of major capital spend to future years particularly in relation to the Stadium Development (£0.456) million and economic development and physical assets (£0.320 million) schemes.

The major items of capital expenditure in the year were:

- **£1.207 million** on Stadium development;
- **£0.905 million** on Disabled Facilities Grants;



The capital programme of £2.560 million was financed in the following way:



2.8 Treasury Management

During most of 2017/18 investment decisions were driven by cash flow considerations and funds placed in Money Market Funds for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow.

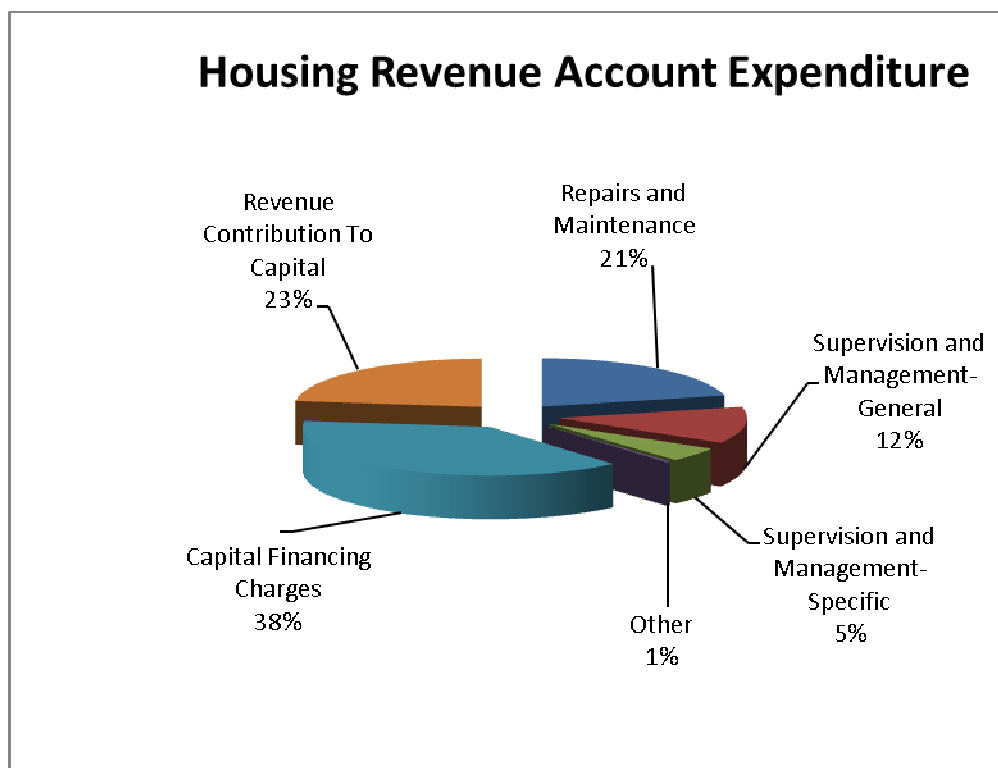
The average investment balance in 2017/18 was £19.3 million (£20.4 million in 2016/17). Interest receipts totalled £0.110 million in 2017/18, down by £0.043 million from £0.153 million in 2016/17.

2.9 Housing Revenue Account

The Housing Revenue position is slightly different. Rents are determined in accordance with the Government's national social rent policy, 2017/18 was the second of a four year reduction in rents by 1% per annum. This has impacted on the ability of the Council to deliver new homes as this is a significant reduction over the four year period.

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

Income from Rents etc. amounted to £20.274 million with expenditure of £20.315 million as follows:-



The Housing Revenue Account outcome therefore required a contribution from working balances of £0.041 million a reduction of £0.099 million when compared with the revised budget which anticipated a use of working balances of £0.140 million. This variation relates primarily to savings in supervision and management, offset by additional costs in relation to depreciation.

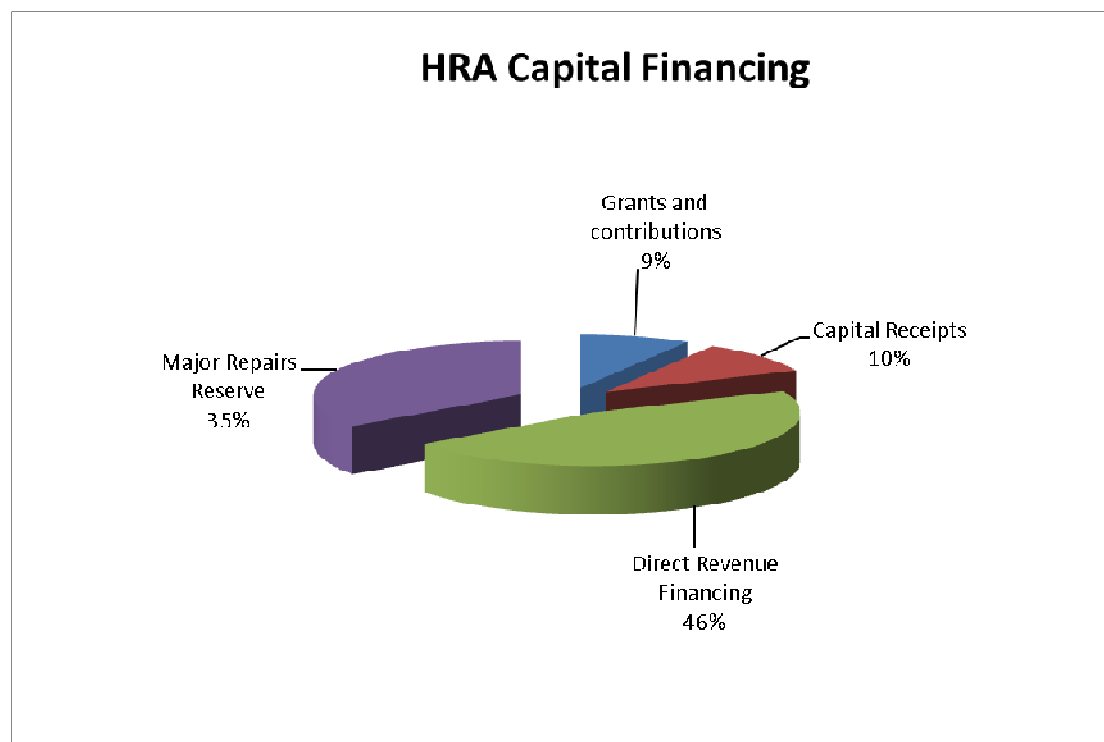
The deficit for the year resulted in Housing Working Balances reducing to £1.739 million as at 31 March 2018, some £0.099 million in excess of the minimum requirement.

In addition to the Working Balance the Housing Revenue Account maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments, support the budget in the future and capital programme, and in some cases, to spread expenditure over a number of years. At 1 April 2017, Housing Revenue Account earmarked reserves stood at £2.506 million and reduced to £2.074 million at 31 March 2018.

The Housing Revenue Account spent £10.039 million on capital projects in 2017/18, which was £0.596 million less than the budget of £10.635 million. The main reason in 2017/18 is slippages of major capital spend to future years particularly in relation to External Envelope Work £0.326 million, and Moss Road Estate new builds £0.269 million. The major items of capital expenditure in the year were:





- **£2.811 million** on Former garage sites development
- **£1.475 million** on Moss Road Reema Flats Development;
- **£1.008 million** on central heating upgrades;
- **£0.974 million** on external and environmental works;
- **£0.903 million** on bathroom replacements;
- **£0.699 million** on provision of double glazing;
- **£0.566 million** on council disabled facilities grants;
- **£0.551 million** on upgrading electrical systems;
- **£0.486 million** on bringing void properties back into use;
- **£0.350 million** on replacing kitchens in council homes;

Funding for the HRA Capital Programme came from the following sources:



3. The Council's Performance 2017-18

During 2017/18, 83% of actions or projects were completed or on track for delivery as expected. This represents an improvement on the previous year's performance which was 67.8%. As there are no actions which have been aborted or closed, the remainder are still scheduled for delivery, albeit slightly behind the intended schedule. Performance is broken down in the table on page 17.

	2017/18 Project/Actions				
					No Rating
	Project completed	Project on target	Project Timeline/scope /target date requires attention.	Project aborted/ closed	No rating provided/ action not due
Customers and Corporate	2 28.6%	3 42.8%	2 28.6%	0 0%	0 0%
Economic Development and Town Centres	2 11.1%	11 61.1%	5 27.8%	0 0%	0 0%
Health, Culture and Environment	3 21.4%	11 78.6%	0 0%	0 0%	0 0%
Housing, Crime and Partnerships	1 12.5%	6 75%	1 12.5%	0 0%	0 0%
TOTAL	8 17%	31 66%	8 17%	0 0%	0 0%

Where a direct comparison is possible, 57% of performance indicators have improved over the three years of the 2015-18 Corporate Plan while 43% have deteriorated.

4. Future Outlook and issues facing the Council

4.1 Planned future developments

The Council is ambitious for the future; that means building on recent progress and making sure we can attract more opportunities for our local communities. The Mill Green Designer Outlet Village, due to open in 2020/21, has the potential to transform the economy and reputation of the District, bringing in additional investment, jobs and visitors to the area. We will endeavour in the future to bring forward more strategic employment sites to maintain the levels of investment we have recently experienced. The former Rugeley Power Station site is the largest brownfield site in the West Midlands and has huge potential for housing, employment and leisure developments.

In addition the Housing Revenue Account will see unprecedented investment in new housing stock over the medium term.

4.2 Future investments

Partnership working is fundamental to all aspects of our objectives but vital for the creation of new jobs and economic growth. In addition to progressing the Mill Green Designer Outlet Village bringing with it over £100m capital investment, 1,200 retail jobs plus a projected 3m visitors per annum to the District there will be an estimated 400 new jobs created by 2019 at Kingswood Lakeside following support from the Combined Authority and LEP whereas the electrification of the Chase Line to be delivered from December 2018, represents a £100m investment by Network Rail.

The Council in addition to being a partner in the above has included three major capital investments in its General Fund medium term capital programme notably:-

- District Investment Fund (£6,476,000) - in accordance with the new Corporate Plan the receipts from Mill Green have been earmarked for a District Investment Fund. Provisions for the Engineering Training Facility, together with other uncommitted resources have been consolidated within this budget. The Fund is seen as vital if we are to improve our Town Centres and Train Stations and facilitate further economic growth. Skills and Infrastructure are important ingredients for economic growth in the future.
- Car Park Improvements (£492,000) – provision has been made for a 5 year rolling programme of major resurfacing and patching of District car parks commencing in 2018/19.
- Affordable Housing (£644,000) – apart from the major investment in our Council Housing Stock we also intend to provide support to Register Providers to assist in the delivery of additional affordable housing which will provide new homes for low income families and individuals.

Similarly the Housing Revenue Account includes new initiatives whereby in addition to its normal housing investment programme for its existing stock a new £12million Housing Investment fund has been established to provide new social housing in the district.

The above initiatives supplement the £10.435 million of capital investment, in relation to both General Fund and Housing Revenue Account assets, already existing in the 2018/19 capital programme. The key areas of spend are; -

General Fund

- Additional Cemetery provision £0.984 million
- Disabled facilities grants (private residents) £0.792 million
- Civic centre car park £0.450 million

Housing Revenue Account

- Former garage sites development £1.622 million
- External envelopes works £1.585 million
- Central heating upgrades £1.495 million
- Upgrading electrical systems £0.575 million
- Bathroom replacement £0.474 million
- Kitchen replacement £0.425 million
- Disabled facilities grants on council housing £0.389 million

4.3 Financially sustainable

The Council plans its finances over a medium term 4 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. The Council approved its budget and Financial Plan for the period 2017/18 to 2020/21 in February 2018.

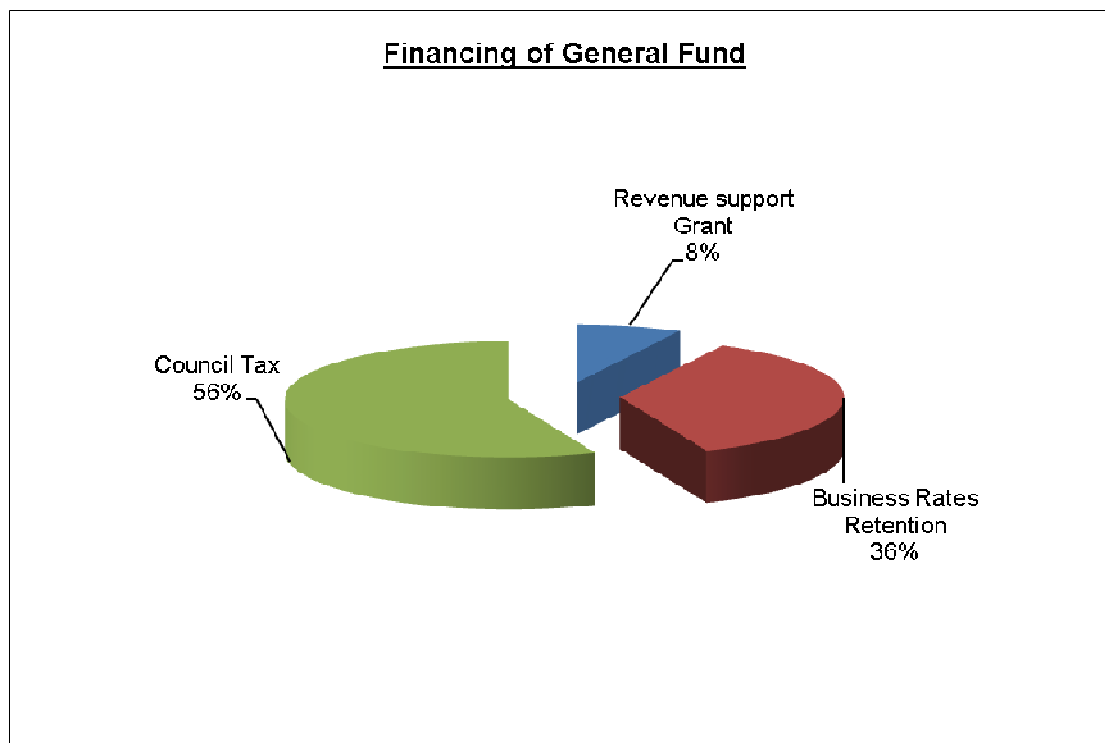
The approved budget reflected the £1.6 million of ongoing savings implemented as part of the 2017/18 Financial Recovery Plan to provide a sustainable budget. Business Rates growth / volatility remain a key risk to the authority with the 2020/21 budget underpinned by the Mill Green Designer Outlet Village.

In addition the Balanced Budget in 2020/21 reflects the current Local Government Finance Regime, however fundamental changes to Government Funding are set to take place in 2020/21. Details are still to be determined however the implementation of 75% Business Rates Retention; Fair Funding and a Business Rates Reset combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme creates a key strategic risk for the financial stability of this and all other councils. Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.

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

- Central government funding – The government has made considerable cuts in public spending. Austerity measures will inevitably lead to the Council being under continuing pressure to deliver significant budget savings going forward;
- Business Rates Retention Scheme – 2017/18 was the fifth year of the new regime for collecting National Non Domestic Rates (NNDR). Income is now shared between central government, the Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire Authority and the Greater Birmingham and Solihull Business Rates Pool. This change carries the following financial risks for the Council:
 - Failure to collect business rates income in accordance with the “Start-Up” funding assessment;
 - Failure to collect business rates billed;
 - Reduced business rates collectable as a result of appeals.
 - Delay in opening of key development sites
 - Impact of 75% business rates retention regime
- Social Housing Rents – the government has introduced a policy whereby social rents will be reduced by 1% per annum from 2016/17 to 2019/20 and although a sustainable budget exists this required a review of the housing business plan. The Council is still awaiting the details of the Housing and Planning Act in relation to Sale of High Value properties.
- Income levels – a number of main income streams are subject to demand factors and are influenced by the wider economic climate. The Council has limited means to address issues of demand however income is an area that receives particular budget monitoring attention.

- Interest rates – the on-going period of low interest rates has impacted on investment returns. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of 0.25% changes investment income by about £54,000;
- Inflationary pressures – price inflation remained at 2.3% in March 2018 and is anticipated to remain above the Bank of England's 2% target this year;
- Pension's costs – although the Council's share of the liabilities in the pension fund showed an improvement in 2017/18, the Council continues to face the pressure of the rising costs of pension's provision.



5. Explanation of Financial Statements

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

5.1 Statements to the Accounts

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

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

5.2 Core Financial Statements

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

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

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

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

5.3 Supplementary Statements

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

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

Glossary - This provides an explanation of the technical terms contained within the Statement of Accounts.

5.4 Notes to the Accounts

Expenditure & Funding Analysis - This note was a new requirement for the 2016/17 accounts and shows the expenditure and income which is reported to management as part of the final accounts outturn and scrutiny reports. It then seeks to demonstrate the adjustments which are made to comply with International Financial Standards to arrive at the figures reported within the Comprehensive Income and Expenditure Statement (these are analysed in more detail in note 7 to the accounts).

5.5 Main Changes to the Core Statements and Significant Transactions in 2017/18**Comprehensive Income and Expenditure Account (page 27)**

- There was an increase in the cost of services of £3.053 million. This related mainly to capital charges to revenue of £2.756 million and minor variations in income and expenditure. Further detail is contained in note 5 to the accounts (Material items of income and expense.)
- The surplus on revaluation of Property, Plant and Equipment is £21.501 million. The General Fund element of this was £5.045 million which relates principally to the increase in build costs for DRC assets and valuation date of 31 March 2018. The Housing Revenue Account was £16.455 million reflecting full revaluation of housing stock at the 31 March 2018 and componentisation of assets during 2017/18.
- Actuarial gain of £2.925 million this is primarily due to changes in the discount rates used to value the pension fund assets.
- Other operating expenditure has increased by £0.330 million reflecting greater losses on assets sold during 2017/18
- Financing and investment income and expenditure has reduced by £0.913 million, reflecting reduced pension interest of £0.520 million, and additional interest earned as part of pension deficit prepayment of £0.306 million.

Balance Sheet (page 30)

- Fixed assets have increased by £20.872 million; this is largely due to the revaluation of assets detailed above, with Council dwellings increasing by £12.006 million during 2017/18. Other land and buildings have increased by £5.325 million and there is a large increase in assets under construction of £2.694 million reflecting part completed spend on new and improved assets.
- Long term debtors have reduced by £2.001 million reflecting the transfer to short term debtors of the Local authority mortgage scheme deposit which is due to be repaid during 2018/19
- Short term investments have reduced by £2.274 million reflecting year end holdings
- Short term debtors have increased by £3.282 million, mainly in relation to the transfer from long term debtors detailed above and increased capital debtors of £0.800 million.
- Cash and cash equivalents have reduced by £4.368 million which reflects the year end holdings of money market and call account funds.
- Short term borrowing has reduced by £2.646 million reflecting the loan repayment in 2017/18
- The pension fund liability has reduced from £74.742 million to £70.638 million, a reduction of £4.104 million which is largely due to the changes in financial assumptions on discount rates. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council also made a three year payment of past pension deficit of £5.018 million for the period 2017/18 to 2019/20.
- Usable reserves have reduced overall by £0.574 million primarily reflecting the following;
 - Reduction in Capital receipts of £0.602 million reflecting application to capital financing;
 - Reduction in Major repairs reserve of £0.536 million reflecting application to capital financing;
 - Reduction in HRA working balance of £0.041 million;
 - HRA Earmarked reserves reduced by £0.432 million;
 - Increase in General Fund working balance of £0.702 million

- Unusable reserves have increased overall by £22.732 million primarily relating to the changes in the Revaluation Reserve (£19.726 million) and Capital adjustment account (£1.877 million).

Cash Flow Statement (page 31)

- There is an overall reduction of £4.368 million in cash and cash equivalents at the end of the reporting period, primarily due to changes in relation to investing and financing activities.

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**CERTIFICATION OF ACCOUNTS
STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

The Council's Responsibilities

The Council is required to:

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

The Deputy Managing Director with S151 Responsibilities

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

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

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

The Deputy Managing Director has also:

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

Certification by Deputy Managing Director

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2018.

Date

.....
R A Kean CPFA - Deputy Managing Director

* this certificate replaces the previous version signed on the 31 May 2018.

Certification by the Chairman of the Audit and Governance Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2018 was considered and approved by the Audit and Governance Committee of the Council on 26 July 2018.

Date

.....
Councillor D Grice - Chairman of the Audit and Governance Committee

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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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17				2017/18		
Gross Expend Restated	Gross Income Restated	Net Expend Restated		Gross Expend	Gross Income	Net Expend
£000	£000	£000		£000	£000	£000
3,844	(1,840)	2,004	Corporate Improvement	3,942	(1,792)	2,150
6,514	(3,918)	2,596	Environment	6,640	(4,308)	2,332
7,157	(595)	6,562	Culture & Sport	5,133	(624)	4,509
2,732	(1,549)	1,183	Economic Development	3,022	(1,536)	1,486
464	(120)	344	Housing General Fund	493	(234)	259
29,031	(28,564)	467	Health & Wellbeing	27,799	(27,197)	602
535	(109)	426	Town Centre Regeneration	262	(98)	164
3,144	(1,553)	1,591	Leader of the Council	3,426	(1,619)	1,807
571	(221)	350	Crime & Partnerships	698	(179)	519
<u>53,992</u>	<u>(38,469)</u>	<u>15,523</u>		<u>51,415</u>	<u>(37,587)</u>	<u>13,828</u>
18,697	(25,366)	(6,669)	Housing Revenue Account	23,831	(25,752)	(1,921)
(8,815)	8,815	-	Internal Recharges	(9,501)	9,501	-
<u>63,874</u>	<u>(55,020)</u>	<u>8,854</u>	Cost of Services	<u>65,745</u>	<u>(53,838)</u>	<u>11,907</u>
		939	Other operating expenditure (Note 12)			1,269
		5,583	Financing and investment income and expenditure (Note 13)			4,670
		(15,410)	Taxation and non-specific grant income (Note 14)			(15,565)
		(34)	(Surplus) / Deficit on Provision of Services			2,281
		(28,988)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 27)			(21,501)
		9	(Surplus) or deficit on revaluation of available for sale financial assets (Note 27)			(13)
		4,844	Remeasurement of the net defined benefit liability / asset (Note 27)			(2,925)
		<u>(24,135)</u>	Other Comprehensive Income and Expenditure			<u>(24,439)</u>
		<u>(24,169)</u>	Total Comprehensive Income and Expenditure			<u>(22,158)</u>

There has been a restatement of the Comprehensive Income and Expenditure Statement for 2016/17. This relates to a review of portfolios as a result of a senior management restructure. Further details are provided in note 53 to the accounts on page 87.

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 'Unusable Reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund and Housing Revenue Account Balance movements in the year following those adjustments.

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

	General Fund £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 2017	(2,434)	(1,780)	(9,727)	(2,506)	(3,666)	(1,419)	(1,419)	(22,951)	(54,830)	(77,781)
Transfer of reserves			-	-	-	-	-	-	-	-
Movement in reserves during 2017/18										
(Surplus)/deficit on the provision of services	904	1,377	-	-	-	-	-	2,281	-	2,281
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(24,439)	(24,439)
Total Comprehensive Income and Expenditure	904	1,377	-	-	-	-	-	2,281	(24,439)	(22,158)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(1,665)	(904)	-	-	602	536	(276)	(1,707)	1,707	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(761)	473	-	-	602	536	(276)	574	(22,732)	(22,158)
Transfers to/from Earmarked Reserves (Note 11)	59	(432)	(59)	432	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	(702)	41	(59)	432	602	536	(276)	574	(22,732)	(22,158)
Balance at 31 March 2018	(3,136)	(1,739)	(9,786)	(2,074)	(3,064)	(883)	(1,695)	(22,377)	(77,562)	(99,939)

The Total General Fund balance at the 31 March 2018 is £12.922 million, comprising working balance of £3.136 million and earmarked reserves of £9.786 million.

The Total Housing Revenue Account balance at the 31 March 2018 is £3.813 million, comprising working balance of £1.739 million and earmarked reserves of £2.074 million.

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 2016	(2,057)	(1,629)	(11,298)	(2,096)	(3,642)	(1,317)	(1,811)	(23,850)	(29,762)	(53,612)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-
Movement in reserves during 2016/17										
(Surplus)/deficit on the provision of services	2,843	(2,877)	-	-	-	-	-	(34)	-	(34)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(24,135)	(24,135)
Total Comprehensive Income and Expenditure	2,843	(2,877)	-	-	-	-	-	(34)	(24,135)	(24,169)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(1,649)	2,316	-	-	(24)	(102)	392	933	(933)	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	1,194	(561)	-	-	(24)	(102)	392	899	(25,068)	(24,169)
Transfers to/from Earmarked Reserves (Note 11)	(1,571)	410	1,571	(410)	-	-	-	-	-	-
(Increase)/Decrease in 2016/17	(377)	(151)	1,571	(410)	(24)	(102)	392	899	(25,068)	(24,169)
Balance at 31 March 2017	(2,434)	(1,780)	(9,727)	(2,506)	(3,666)	(1,419)	(1,419)	(22,951)	(54,830)	(77,781)

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2018 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, i.e. 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 2017 £000	Notes	31 March 2018 £000
222,036 Property, Plant & Equipment	15	242,908
296 Heritage Assets	16	296
1,675 Investment Properties	17	1,675
399 Intangible Assets	18	284
2,063 Long Term Debtors	19	62
226,469 Long Term Assets		245,225
6,789 Short Term Investments	19	4,515
102 Inventories	20	93
2,945 Short Term Debtors	21	6,227
12,574 Cash and Cash Equivalents	22	8,206
22,410 Current Assets		19,041
(2,971) Short Term Borrowing	19	(325)
(7,910) Short Term Creditors	24	(7,922)
(34) Provisions	25	-
(82) Grants Receipts in Advance-Revenue	37	(76)
(768) Grants Receipts in Advance-Capital	37	(526)
(11,765) Current Liabilities		(8,849)
(31) Long Term Creditors	19	(27)
(81,605) Long Term Borrowing	51	(81,605)
(2,896) Provisions	25	(2,266)
(59) Other Long Term Liabilities	50	(50)
(74,742) Pensions	43	(70,638)
- Finance Lease	40	(892)
(159,333) Long Term Liabilities		(155,478)
77,781 Net Assets		99,939
(22,951) Usable Reserves	26	(22,377)
(54,830) Unusable Reserve	27	(77,562)
(77,781) Total Reserves		(99,939)

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 (i.e. borrowing) to the Council.

2016/17 £000	2017/18 £000
(34) Net (surplus) or deficit on the provision of services	2,281
(14,816) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28)	(11,333)
4,348 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28)	4,560
(10,502) Net cash flows from Operating Activities	(4,492)
7,589 Investing Activities (Note 29)	5,502
(2,766) Financing Activities (Note 30)	3,358
(5,679) Net (increase) / decrease in cash and cash equivalents	4,368
6,895 Cash and cash equivalents at the beginning of the reporting period	12,574
<u>12,574</u> Cash and cash equivalents at the end of the reporting period (Note 22)	<u>8,206</u>

NOTES TO THE ACCOUNTS

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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.

The accounts have been prepared on a going concern basis.

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 de-minimus 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 data 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, i.e. in the current and future year affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

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

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

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

vii Employee Benefits**Benefits Payable During Employment**

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant Portfolio in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Staffordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

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

- The liabilities of the Staffordshire County Council (SCC) pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate determined by the actuary.
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement within the Leader of The Council line as part of Non-distributed costs.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the SCC pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii Events After the Balance Sheet Date

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

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

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

ix Financial Instruments**Financial Liabilities**

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

For most of the borrowings made by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

x Available-for-Sale Assets

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

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

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

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

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

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

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

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

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

xi Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

xii Heritage Assets**Tangible and Intangible Heritage Assets**

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

Civic Regalia

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

Museum Artefacts

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

Heritage Assets - General

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

xiii Intangible Assets

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

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

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

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

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

xiv Interests in Companies and Other Entities

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

xv Inventories and Long Term Contracts

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

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

xvi Investment Properties

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

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

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

xvii Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee:**Finance Leases**

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. This means that the majority of the recharges are excluded as the budgets are produced and reported on within service segments at a controllable level for the General Fund, with only a small number of recharges included within the reported performance. The HRA includes all recharges from support services as this is the basis on which this is reported.

xix Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. 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 (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following 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 Account 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 Account also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi Reserves

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

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

xxii Revenue Expenditure Funded from Capital under Statute

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

xxiii VAT

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

xxiv Debt Redemption

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

xxv Interest Charges

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

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

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and as principals, collecting council tax and NDR for ourselves. We are required to maintain a separate fund (i.e. Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

xxvii Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and its financial instruments for certificates of deposit at fair value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code. New standards introduced in the Code that apply from 1 April 2018 are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics, how the authority manages the instrument and a forward looking 'expected loss' model for impairment rather than the current recognition after a loss has been incurred. The full impact is still currently being assessed but it is anticipated that, due to the classification, type of investments and security of the majority of financial instruments held, it is unlikely to have a material impact on the financial statements for the Council.

IFRS 15 introduces a five step process for recognising revenue based on the transfer of control rather than the current transfer of risks and rewards. Given the nature of the Council's income this new approach is not expected to have a material impact on the financial statements.

Amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value and only apply to group accounts which are not prepared by this Council.

Amendments to IAS 7 may require additional disclosures to demonstrate changes in liabilities arising from financing activities.

Neither of these amendments is considered to have a material impact on the financial statements.

The code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

- **Future levels of government funding**
There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Asset valuation**
The Council holds a number of shops and properties which could be classified as either investment properties and therefore valued at fair value, or operational assets which would be valued using existing use valuation techniques. The existing use value would be a lower figure than fair value.
In determining the appropriate basis the Council has considered the primary purpose of holding the assets and determined that the properties are held for regeneration purposes and therefore are not investment properties.
The Council continues to operate a 5 year rolling programme of asset valuations although guidance states that each class of asset should be revalued within a short period of time. The Council has carried out a separate review to ensure that the assets values within the accounts are not materially different from fair value.
- **Municipal Mutual Insurance (MMI)**
The Council has a potential clawback liability should there be a deficit in the winding up of the company. Although the Council has paid a 25% levy notice a separate disclosure has been made under contingent liabilities as it is not certain that this levy notice fully extinguishes any potential liability.
- **Rugeley Market Hall**
The Council has a long term lease of this site which runs until 2078. At present the Council records this as an operating lease, although the lease does contain certain elements which could identify it as a finance lease there would be no material impact on the accounts therefore it has been determined that this will remain an operating lease.
- **Wigan Leisure & Culture Trust (trading as Inspiring Healthy Lifestyles)**
The Council has outsourced its leisure services to Wigan Leisure & Culture Trust for a period of 10 years for which the Council pays a management fee. Although there is a lease with WLCT to allow them use of the assets no rentals are receivable. Therefore it has been determined that this is a service contract and the assets should remain on the balance sheet.

4. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

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

The items in the Council's Balance Sheet as at 31 March 2018 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 dependent 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 £499,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The actuary has provided sensitivity information about the effects of changes in assumptions. The financial effects of these changes are detailed in note 43 to the accounts.
Sundry debt arrears	At 31 March 2018 the Council's balance of sundry debts was £3.688m. A review of significant balances suggested that an impairment of doubtful debts of 87.51% was appropriate (£3.228m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate by 1% an additional £37,000 would need to be set aside as allowance.
Council tax arrears	At 31 March 2018 the Council's share of the council tax debtors included in the councils accounts was £824,000. A review of significant balances suggested that an impairment of doubtful debts of 75% (£618,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £8,000 to set aside as an allowance.
Business rate arrears	At 31 March 2018 the Council's share of the business rates debtors included in the councils accounts was £681,000. A review of significant balances suggested that an impairment of doubtful debts of 72.86% (£496,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £7,000 to set aside as an allowance.
Business rates appeals	At 31 March 2018 the Council's share of the business rates appeals included in the Council's accounts was £2,081,000.	If there was an increase of 1% in the appeals percentages this would require an additional £767,000 to be set aside.
Lease income Market hall precincts	The Council has a long term agreement in place for 26% of rents receivable from lettings for the next 81 years. At 31 March 2018 future rental income is based on the current rents receivable.	For every 1% reduction in the rental receivable this would reduce the income by £4,000 per annum.

5. Material Items of Income and Expense

The Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Account, that the nature and amount of material items should be disclosed in a note to the accounts. The material items of income and expenses for 2017/18 are as follows:

There has been an increase in the net cost of services of £3,053,000. This is primarily due to the following;

General Fund:	£000	£000
Pensions Current Service Cost	958	
Capital Charges	(1,680)	
Insurance Premiums	(122)	
Senior management restructure	(358)	
Waste contract lease & contract	(332)	
Cannock chase SAC & S106 receipts	(323)	
CIL receipts	(114)	
Parks reduced maintenance	(152)	
Increased spend Landlord repairs	111	
CCTV relocation costs	96	
Mill Green Deposit 16-17 (one-off)	250	
Additional Homelessness grants	(112)	
Additional Development Control income	(54)	
Civic Centre Agency staff	58	
No district election 2017-18	(66)	
Development control agency staff	88	
Other Movements	57	
	<hr/>	(1,695)
Housing Revenue Account:		
Pensions Current Service Cost	351	
Capital Charges	4,436	
Other Movements	(39)	
	<hr/>	4,748
		<hr/> 3,053 <hr/>

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Account (CIES).

2016/2017					2017/2018			
Net Expend Chargeable to the General Fund	Ear- marked Reserves	Adjust's between the Funding and Accounting Basis	Net Expend in the CIES		Net Expend Chargeable to the General Fund	Ear- marked Reserves	Adjust's between the Funding and Accounting Basis	Net Expend in the CIES
Restated £000	Restated £000	Restated £000	Restated £000		£000	£000	£000	£000
2,006	4	(6)	2,004	Corporate Improvement	1,746	(10)	414	2,150
2,690	(139)	45	2,596	Environment	2,375	(300)	257	2,332
3,115	(129)	3,576	6,562	Culture & Sport	2,914	(58)	1,653	4,509
1,110	(370)	443	1,183	Economic Development	1,165	(151)	472	1,486
343	-	1	344	Housing	345	(101)	15	259
585	(103)	(15)	467	Health & Wellbeing	613	(169)	158	602
(12)	(9)	447	426	Town Centre Regeneration	46	-	118	164
1,204	8	379	1,591	Leader of the Council	1,093	(74)	788	1,807
367	(17)	-	350	Crime & Partnerships	374	128	17	519
11,408	(755)	4,870	15,523		10,671	(735)	3,892	13,828
(3,387)	(4,955)	1,673	(6,669)	Housing Revenue Account	(2,934)	(4,241)	5,254	(1,921)
8,021	(5,710)	6,543	8,854	Net Cost of Services	7,737	(4,976)	9,146	11,907
(8,549)	6,871	(7,210)	(8,888)	Other Income and Expenditure	(8,398)	5,349	(6,577)	(9,626)
(528)	1,161	(667)	(34)	(Surplus)/Deficit on Provision of Services	(661)	373	2,569	2,281
(3,686)	(13,394)			Opening General Fund & HRA Balance	(4,214)	(12,233)		
(528)	1,161			Less/Plus Surplus or Deficit on General Fund & HRA Balance in year	(661)	373		
(4,214)	(12,233)			Closing General Fund & HRA Balance at 31 March 2018 *	(4,875)	(11,860)		

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement
The restatement relates to a change in portfolios following a senior management restructure. This is explained in more detail in note 53.

7. Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Corporate Improvement	19	390	5	414	-	414
Environment	246	38	(5)	279	(22)	257
Culture & Sport	1,632	31	(3)	1,660	(7)	1,653
Economic Development	297	80	6	383	89	472
Housing	-	18	(3)	15	-	15
Health & Wellbeing	-	164	(6)	158	-	158
Town Centre Regeneration	107	7	(2)	112	6	118
Leader of the Council	942	(142)	(12)	788	-	788
Crime & Partnerships	-	17	-	17	-	17
Sub Total	3,243	603	(20)	3,826	66	3,892
Housing Revenue Account	8,296	196	7	8,499	(3,245)	5,254
Net Cost of Services	11,539	799	(13)	12,325	(3,179)	9,146
Other income and expenditure from the Expenditure and Funding Analysis	(10,779)	1,830	(807)	(9,756)	3,179	(6,577)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	760	2,629	(820)	2,569	-	2,569

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
	Restated	Restated	Restated	Restated	Restated	Restated
Corporate Improvement	19	(17)	(8)	(6)	-	(6)
Environment	144	(96)	(12)	36	9	45
Culture & Sport	3,589	(1)	(5)	3,583	(7)	3,576
Economic Development	386	(34)	(8)	344	99	443
Housing	-	(1)	2	1	-	1
Health & Wellbeing	11	(23)	(3)	(15)	-	(15)
Town Centre Regeneration	339	(5)	-	334	113	447
Leader of the Council	644	(273)	8	379	-	379
Crime & Partnerships	-	3	(3)	-	-	-
Sub Total	5,132	(447)	(29)	4,656	214	4,870
Housing Revenue Account	5,177	(102)	11	5,086	(3,413)	1,673
Net Cost of Services	10,309	(549)	(18)	9,742	(3,199)	6,543
Other income and expenditure from the Expenditure and Funding Analysis	(11,112)	2,350	(1,647)	(10,409)	3,199	(7,210)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	(803)	1,801	(1,665)	(667)	-	(667)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied through the year. The Taxation and Non specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

For the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and Income:

- Services - This represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

Difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- Financing and investment income and expenditure - the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- Financing and investment income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for interest income and expenditure.
- Taxation and non-specific grant income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for unringfenced government grants.

8. Segmental Income

Income received from external customers (excluding grants) on a segmental basis is analysed below:

2016/17 £000		2017/18 £000
Restated		
807	Corporate Improvement	693
2,062	Environment	2,580
519	Culture & Sport	558
1,534	Economic Development	1,503
25	Housing	34
2,404	Health & Wellbeing	2,403
602	Town Centre Regeneration	533
652	Leader of the Council	698
187	Crime & Partnerships	154
8,792	Sub Total	9,156
20,510	Housing Revenue Account	20,274
29,302	Total income analysed on a segmental basis	29,430

9. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2016/17 £000		2017/18 £000
	Expenditure	
15,073	Employee benefits expenses	16,144
38,523	Other services expenses	36,731
10,611	Depreciation, amortisation, impairment	13,313
5,905	Interest payments	4,884
684	Precepts and levies	654
256	Gain / loss on the disposal of assets	615
(1)	Gain / Loss on non current deferred receipts	-
71,051	Total Expenditure	72,341
	Income	
(29,302)	Fees, charges and other service income	(29,430)
(153)	Interest and investment income	(110)
(9,730)	Income from council tax and non-domestic rates	(10,511)
(31,900)	Government grants and contributions	(30,009)
(71,085)	Total Income	(70,060)
(34)	Surplus or Deficit on the Provision of Services	2,281

10. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Account recognised by the Council in 2017/18 in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

	General Fund	Balance	£000	Housing Revenue Account	£000	Capital Receipts Reserve	£000	Major Repairs Reserve	£000	Capital Grants Unapplied	£000	Total Usable Reserves	£000	Movement in Usable Reserves	£000
2017/18															
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
▫ Pension costs (transferred to / (or from) the Pensions Reserve)		(2,433)		(196)									(2,629)		2,629
▫ Council Tax and NDR (transfer to / (or from) Collection Fund)		807		-									807		(807)
▫ Holiday pay (transferred to the Accumulated Absences Reserve)		20		(7)									13		(13)
▫ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)		(936)		(10,432)									(785)		12,153
Total Adjustments to the Revenue Resources		(2,542)		(10,635)									(785)		13,962
Adjustments between Revenue and Capital Resources															
▫ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		211		1,062		(1,273)									
▫ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		-		(37)		37									
▫ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		-		(509)		509									
▫ Posting of HRA resources from revenue to the Major Repairs Reserve		-		2,976		-		(2,976)							
▫ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)		593		1,565		-		-					2,158		(2,158)
▫ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		73		4,674		-		-					4,747		(4,747)
Total Adjustments between Revenue and Capital Resources		877		9,731		(727)		(2,976)					6,905		(6,905)
Adjustments to Capital Resources															
▫ Use of Capital Receipts Reserve to finance capital expenditure		-		-		1,329		-					-		1,329
▫ Use of the Major Repairs Reserve to finance capital expenditure		-		-		-		3,512					-		3,512
▫ Application of capital grants to finance capital expenditure		-		-		-		-		509			509		(509)
▫ Cash payments in relation to deferred capital receipts		-		-		-		-		-			-		-
Total Adjustments to Capital Resources		-		-		1,329		3,512		509			5,350		(5,350)
Total Adjustments		(1,665)		(904)		602		536		(276)			(1,707)		1,707

	Balance	Housing	Revenue	Account	Capital Receipts	Reserve	Major Repairs	Reserve	Capital Grants	Unapplied	Total Usable	Reserves	Movement in	Unusable	Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2016/17															
Adjustments to the Revenue Resources															
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:															
▫ Pension costs (transferred to / (or from) the Pensions Reserve)	(1,903)		102												
▫ Council Tax and NDR (transfer to / (or from) Collection Fund)	1,647		-												
▫ Holiday pay (transferred to the Accumulated Absences Reserve)	29		(11)												
▫ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,494)		(6,415)							(208)					
▫ Gain/loss on deferred capital receipts	(1)		-												
Total Adjustments to the Revenue Resources	(2,722)		(6,324)							(208)					1,801
Adjustments between Revenue and Capital Resources															
▫ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	288		1,204			(1,492)									
▫ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-		(46)			46									
▫ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-		(547)			547									
▫ Posting of HRA resources from revenue to the Major Repairs Reserve	-		3,236			-		(3,236)							
▫ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	401		249			-		-				650			(650)
▫ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	384		4,544			-		-				4,928			(4,928)
Total Adjustments between Revenue and Capital Resources	1,073		8,640			(899)		(3,236)				5,578			(5,578)
Adjustments to Capital Resources															
▫ Use of Capital Receipts Reserve to finance capital expenditure	-		-			896		-				896			(896)
▫ Use of the Major Repairs Reserve to finance capital expenditure	-		-			-		3,134				3,134			(3,134)
▫ Application of capital grants to finance capital expenditure	-		-			-		-		600		600			(600)
▫ Cash payments in relation to deferred capital receipts	-		-			(21)		-		-		(21)			21
Total Adjustments to Capital Resources	-		-			875		3,134		600		4,609			(4,609)
Total Adjustments	(1,649)		2,316			(24)		(102)		392		933			(933)

11. 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 2017/18.

	Balance at 31 March 2016 £000	Transfer out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000	Transfer out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000
Revenue							
General Fund							
General	5,075	(6,044)	5,782	4,813	(2,298)	2,027	4,542
Section 106	1,076	(200)	254	1,130	(386)	812	1,556
Commuted Sums	215	-	-	215	-	-	215
Grants	49	(231)	186	4	(16)	266	254
Business Rates Reserve	1,981	(1,535)	-	446	(446)	-	-
Trading	-	-	-	-	-	-	-
Sub Total	8,396	(8,010)	6,222	6,608	(3,146)	3,105	6,567
RCCO	2,902	(58)	275	3,119	(56)	-	3,063
Capital	-	-	-	-	-	156	156
Sub Total	2,902	(58)	275	3,119	(56)	156	3,219
HRA							
Housing	1,308	(131)	62	1,239	(113)	542	1,668
RCCO	788	(4,643)	5,122	1,267	(4,674)	3,813	406
Sub Total	2,096	(4,774)	5,184	2,506	(4,787)	4,355	2,074
Total Revenue Reserves	13,394	(12,842)	11,681	12,233	(7,989)	7,616	11,860

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

The Business Rates Reserve balance is not available for general use. This represents the Council's share of the deficit on the Collection Fund for 2017/18. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

12. Other Operating Expenditure

2016/17 £000	2017/18 £000
677 Parish council precepts	647
(292) (Gains)/Losses on the disposal of non-current assets:	106
7 Levies	7
547 Pooling of Capital Receipts	509
939 Total	1,269

13. Financing and Investment Income and Expenditure

2016/17 £000	2017/18 £000
3,533 Interest Payable & Similar Charges	3,371
(3,124) Net interest on the net defined benefit liability (asset)	(2,586)
5,474 Remeasurements of the net defined benefit liability/(asset)	4,416
(132) Interest Receivable and similar income	(428)
53 Income and Expenditure in relation to investment properties and changes in their fair value	-
(121) Income and Expenditure in relation to investment properties	(121)
(100) (Gain) / loss on trading accounts (Note 32)	18
5,583 Total	4,670

14. Taxation and Non Specific Grant Incomes

2016/17 £000		2017/18 £000
(2,856)	Capital grants and contributions	(3,287)
(6,296)	Precepts on the Collection Fund	(6,521)
(1,406)	Revenue Support Grant	(776)
(3,434)	Non domestic rates	(3,990)
(1,418)	Non ring-fenced government grants	(991)
(15,410)	Total	(15,565)

15. Property, Plant and Equipment

Movements on Balances

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Leased Plant & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Movements in 2017/18							
Cost or Valuation							
At 1 April 2017	162,254	63,226	3,103	319	988	1,342	231,232
Additions	8,628	206	116	-	1,313	2,694	12,957
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,912	2,635	-	-	-	-	16,547
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,875)	(442)	-	-	-	-	(7,317)
Derecognition - disposals	(1,041)	(133)	-	-	-	-	(1,174)
Derecognition - other	(192)	-	-	-	-	-	(192)
Assets reclassified (to)/from Held For Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	(1,212)	-	(988)	-	(2,200)
at 31 March 2018	176,686	65,492	2,007	319	1,313	4,036	249,853
Accumulated Depreciation and Impairment							
at 1 April 2017	(2,133)	(4,166)	(1,909)	-	(988)	-	(9,196)
Depreciation charge	(2,450)	(1,953)	(375)	-	(206)	-	(4,984)
Depreciation written out to the Revaluation Reserve	-	4,954	-	-	-	-	4,954
Depreciation written out to the Surplus/ Deficit on the Provision of Services	-	58	-	-	-	-	58
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	2	-	-	-	-	-	2
Derecognition - other	21	-	-	-	-	-	21
Other movements in depreciation and impairment	-	-	1,212	-	988	-	2,200
at 31 March 2018	(4,560)	(1,107)	(1,072)	-	(206)	-	(6,945)
Net Book Value							
at 31 March 2018	172,126	64,385	935	319	1,107	4,036	242,908
at 31 March 2017	160,121	59,060	1,194	319	-	1,342	222,036

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Leased Plant & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Movements in 2016/17							
Cost or Valuation							
At 1 April 2016	136,597	53,988	3,363	319	988	5,776	201,031
Additions	8,447	1,916	310	-	-	455	11,128
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,086	7,644	-	-	-	-	27,730
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,604)	(2,304)	-	-	-	(8)	(6,916)
Derecognition - disposals	(1,171)	-	-	-	-	-	(1,171)
Derecognition - other	-	-	(570)	-	-	-	(570)
Assets reclassified (to)/from Held For Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	2,899	1,982	-	-	-	(4,881)	-
at 31 March 2017	162,254	63,226	3,103	319	988	1,342	231,232
Accumulated Depreciation and Impairment							
at 1 April 2016	(1,823)	(3,565)	(2,163)	-	(988)	-	(8,539)
Depreciation charge	(2,149)	(1,884)	(316)	-	-	-	(4,349)
Depreciation written out to the Revaluation Reserve	2	1,256	-	-	-	-	1,258
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,823	25	-	-	-	-	1,848
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	16	-	-	-	-	-	16
Derecognition - other	-	-	570	-	-	-	570
Other movements in depreciation and impairment	(2)	2	-	-	-	-	-
at 31 March 2017	(2,133)	(4,166)	(1,909)	-	(988)	-	(9,196)
Net Book Value							
at 31 March 2017	160,121	59,060	1,194	319	-	1,342	222,036
at 31 March 2016	134,774	50,423	1,200	319	-	5,776	192,492

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

Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £1,993,000. Similar commitments as at 31 March 2017 were £4,839,000. The major commitment is for new housing stock £1,601,000 and improvements to existing houses £333,000.

Valuation Information

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

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

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

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

- Market Value for Existing Use (MVEU) where there is sufficient market evidence of market transactions for that use;
- Depreciated Replacement Cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitable comparable properties;
- Non-operational properties have been valued on an open market basis;
- The valuation of the housing stock has been undertaken on the basis of Existing Use Value - Social Housing. The Council have now used the DCLG value reduction on social housing which is a discount rate of 60%.

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Leased Plant & Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost			935	319	1,107	4,036	6,397
valued at fair value as at:							
31 March 2014	-	4,855	-	-	-	-	4,855
31 March 2015	-	8,880	-	-	-	-	8,880
31 March 2016	-	5,308	-	-	-	-	5,308
31 March 2017	-	3,427	-	-	-	-	3,427
31 March 2018	172,126	41,915	-	-	-	-	214,041
Total Cost or Valuation	172,126	64,385	935	319	1,107	4,036	242,908

16. Heritage Assets

Heritage Assets are held by the authority of £296,000 comprising Civic Regalia (£35,000) and Exhibits (£261,000). There were no changes to these values in either 2016/17 or 2017/18.

17. 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.

2016/17 £000		2017/18 £000
121	Rental Income from Investment Property	121
<u>121</u>	Net Gain / (loss)	<u>121</u>

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:

2016/17 £000		2017/18 £000
1,729	Balance at start of the year	1,675
(54)	Net gains/losses from fair value adjustments	-
<u>1,675</u>	Balance at end of year	<u>1,675</u>

Fair Value Measurement of Investment Property

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

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

There have been no transfers between levels of the fair value hierarchy and valuation techniques from those used in 2016/17.

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

18. Intangible Assets

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

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

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

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

2016/17		2017/18
Total		Total
£000		£000
	Balance at start of year:	
534	Gross carrying amounts	578
(72)	Accumulated amortisation	(179)
<u>462</u>	Net carrying amount at start of year	<u>399</u>
	Additions:	
44	Purchases	-
(107)	Amortisation for the period	(115)
<u>399</u>	Net carrying amount at end of year	<u>284</u>
	Comprising:	
578	Gross carrying amounts	578
(179)	Accumulated amortisation	(294)
<u>399</u>		<u>284</u>

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

Carrying Amount		Carrying Amount
31 March 2017		31 March 2018
£000		£000
	Remaining Amortisation Period	
-	1 Year	12
24	2 Years	95
142	3 Years	142
189	4 Years	35
44	5 Years	-
<u>399</u>		<u>284</u>

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

19. Financial Instruments

Categories of Financial Instruments

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

31 March 2017			31 March 2018	
Long			Long	
Term	Current		Term	Current
£000	£000		£000	£000
Investments				
-	4,776	Loans and receivables - Investments principal	-	2,500
-	7	Loans and receivables - Investments accrued interest	-	5
-	12,566	Loans and receivables - Cash & Cash Equivalents (CCE)	-	8,203
-	8	Loans and receivables - CCE accrued interest	-	3
-	2,006	Available for Sale financial assets	-	2,010
-	19,363	Total Investments	-	12,721
Debtors				
2,063	-	Loans and receivables	62	-
-	1,405	Financial assets carried at contract amounts	-	4,016
2,063	1,405	Total Debtors	62	4,016
Borrowings				
81,605	2,600	Financial liabilities at amortised cost - Loans Principal	81,605	-
-	371	Financial liabilities at amortised cost - Loans Accrued Interest	-	325
81,605	2,971	Total Borrowings	81,605	325
Other Long Term Liabilities				
-	-	Finance liabilities	892	213
-	-	Total Other Long Term Liabilities	892	213
Creditors				
31	3,393	Financial liabilities carried at contract amount	27	4,125
31	3,393	Total Creditors	27	4,125

Reclassifications

There were no reclassifications of financial instruments during 2017/18.

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

2017/18	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	3,338	-	3,338
Total expense in Surplus or deficit on the Provision of Services	3,338	-	3,338
Interest income	-	(110)	(110)
Total income in Surplus or Deficit on the Provision of Services	-	(110)	(110)
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	(13)	(13)
Net (gain)/loss for the year	3,338	(123)	3,215

Income, Expense, Gains and Losses

2016/17	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	3,531	-	3,531
Total expense in Surplus or deficit on the Provision of Services	3,531	-	3,531
Interest income	-	(153)	(153)
Total income in Surplus or Deficit on the Provision of Services	-	(153)	(153)
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	9	9
Net (gain)/loss for the year	3,531	(144)	3,387

Fair Values of Financial Assets

The Council's Available for Sale assets are measured in the balance sheet at fair value on a recurring basis. The Council only holds one form of available for sale asset which is Certificates of Deposit, these are valued as a level one input in the fair value hierarchy. The valuation technique used to measure fair value is unadjusted quoted prices in active markets for identical instruments. At the 31 March 2018 the Council held £2.010 million in certificates of deposit Royal Bank of Scotland.

Transfers between Levels of Fair Value Hierarchy

There were no transfers between input levels during 2017/18.

Changes in the Valuation Technique

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

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

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

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

Mark to Model Valuation for Financial Instruments

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

The fair values calculated are as follows:

31 March 2017			31 March 2018		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000	Financial Liabilities	£000	£000	
84,576	115,216	PWLB Debt	81,930	112,350	
3,393	3,393	Short Term Creditors	4,125	4,125	
31	31	Long Term Creditors	27	27	
-	-	Other Long Term Liabilities - Finance Lease	892	892	
88,000	118,640	Total Financial Liabilities	86,974	117,394	

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes a fixed rate loan where the interest payable is higher than the rates available for similar loans in the market place at balance sheet date. This shows a notional loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above market rates.

The fair value of Public Works Loan Boards of £112.350m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continued ability to borrow at concessionary rates from the PWLB rather than the market. The fair value calculated at premature repayment rate to reflect the interest that would be charged including a penalty charge for penalty interest would be £138.992m.

31 March 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000	Financial Assets	£000	£000
4,783	4,789	Fixed Term Deposits	2,505	2,505
12,574	12,575	Cash & Cash Equivalents	8,206	8,206
2,063	2,063	Long Term Debtors	62	62
1,405	1,405	Short Term Debtors	4,016	4,016
20,825	20,832	Total Financial Assets	14,789	14,789

There is no difference in the fair value of the assets held at year end as the interest rates available at the 31 March 2018 are comparable with the investment return.

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

20. Inventories

The Council carries stock as consumable stores and maintenance materials and the balance carried is not material, therefore detailed disclosure notes of movements are not required. At 31 March 2018 the balance of stocks held was £93,000, a decrease of £9,000 from the previous financial year.

21. Short Term Debtors

31 March 2017		31 March 2018
£000		£000
683	Central government bodies	1,337
464	Other local authorities	1,283
-	- NHS bodies	10
37	Public corporations and trading funds	61
1,761	Other entities and individuals (net of impairments)	3,536
2,945		6,227

The Other entities and individuals balance above includes an impairment allowance of £5.222 million at 31 March 2018 and £5.476 million at 31 March 2017.

22. Cash and Cash Equivalents

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

31 March 2017		31 March 2018
£000		£000
	Current Assets	
11,808	Cash equivalents held by the Council	7,403
763	Bank current accounts	801
3	Cash held by the Council	2
12,574	Total Cash and Cash Equivalents	8,206

23. Assets Held For Sale

There are no assets held for sale as at 31 March 2018 (31 March 2017 £nil).

24. Short Term Creditors

31 March 2017 £000		31 March 2018 £000
3,118	Central government bodies	1,372
1,842	Other local authorities	2,728
-	- NHS Bodies	22
27	Public corporations and trading funds	51
2,923	Other entities and individuals	3,749
<u>7,910</u>		<u>7,922</u>

25. Provisions

(i) Current Liabilities

	Provisions £000
Balance at 1 April 2017	34
Additional provisions	-
Amounts used in 2017/18	(34)
Balance at 31 March 2018	-

The provision used is in relation to property searches for Land Charges and for restructuring as part of the Financial Recovery Plan (50% is payable by Stafford Borough Council as part of shared services).

(ii) Long Term Liabilities

	Insurance £000	Business Rates Appeals £000	Housing Employment Claim £000	Total £000
Balance at 1 April 2017	199	2,526	171	2,896
Additional provisions	50	2,081	-	2,131
Amounts used in 2017/18	(64)	(2,526)	(171)	(2,761)
Balance at 31 March 2018	185	2,081	-	2,266

The balance at 31 March 2018 of £2,081 reflects the Council's share of the provision for business rates appeals. The business rates provision is an estimate as detailed in note 4 to the accounts. It is included within long term liabilities as there is uncertainty on timing and amount.

26. Usable Reserves

31 March 2017 £000		31 March 2018 £000
(2,434)	General Fund Balance	(3,136)
(1,780)	HRA Balance	(1,739)
	Earmarked Reserves:	
(9,727)	General Fund	(9,786)
(2,506)	Housing Revenue Account	(2,074)
(3,666)	Capital Receipts Reserve	(3,064)
(1,419)	Capital Grants Unapplied	(1,695)
(1,419)	Housing Revenue Account - Major Repairs Reserve	(883)
<u>(22,951)</u>	Total Usable Reserves	<u>(22,377)</u>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 10 and 11.

27. Unusable Reserves

31 March 2017 £000		31 March 2018 £000
(49,831)	Revaluation Reserve	(69,557)
9	Available for Sale Financial Instruments Reserve	(4)
(80,097)	Capital Adjustment Account	(81,974)
74,742	Pensions Reserve	74,446
(62)	Deferred Capital Receipts Reserve	(62)
318	Collection Fund Adjustment Account	(489)
91	Accumulated Absences Account	78
<u>(54,830)</u>	Total Unusable Reserves	<u>(77,562)</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.

2016/17 £000		2017/18 £000
(22,440)	Balance at 1 April	(49,831)
(39,183)	Upward revaluation of assets	(24,741)
10,195	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,240
<u>(28,988)</u>	<u>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</u>	<u>(21,501)</u>
1,597	Difference between fair value depreciation and historical cost depreciation	1,775
-	Accumulated gains on assets sold or scrapped	-
<u>1,597</u>	<u>Amount written off to the Capital Adjustment Account</u>	<u>1,775</u>
<u>(49,831)</u>	Balance at 31 March	<u>(69,557)</u>

Available for Sale Financial Instruments Reserve

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

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

2016/17 £000		2017/18 £000
	1 Balance at 1 April	9
9	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(4)
9		(4)
	(1) Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(9)
9	Balance at 31 March	(4)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
(77,411)	Balance at 1 April	(80,097)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
9,417	Charges for depreciation and impairment of non-current assets	12,243
107	Amortisation of Intangible Assets	115
1,035	Revenue Expenditure Funded from Capital Under Statute	955
1,155	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	1,342
54	Fair Value of Investment Property	-
<hr/>		<hr/>
11,768		14,655
(1,597)	Adjusting amounts written out of the Revaluation Reserve	(1,775)
<hr/>		<hr/>
(67,240)	Net written out amount of the cost of non-current assets consumed in the year	(67,217)
	Capital financing applied in the year:	
(896)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,329)
(3,134)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,512)
(2,649)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,502)
(600)	Application of grants to capital financing from the Capital Grants Unapplied Account	(509)
(650)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,158)
(4,928)	Capital expenditure charged against the General Fund and HRA balances	(4,747)
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(12,857)		(14,757)
<hr/>		<hr/>
(80,097)	Balance at 31 March	(81,974)

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.

2016/17 £000		2017/18 £000
68,097	Balance at 1 April	74,742
4,844	Remeasurements of the net defined benefit liability/(asset)	(2,925)
5,147	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,967
(3,346)	Employers pensions contributions and direct payments to pensioners payable in the year	(3,338)
<u>74,742</u>	Balance at 31 March	<u>74,446</u>

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.

2016/17 £000		2017/18 £000
(83)	Balance at 1 April	(62)
1	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
20	Transfer to the Capital Receipts Reserve upon receipt of cash	-
<u>(62)</u>	Balance at 31 March	<u>(62)</u>

Collection Fund Adjustment Account

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

2016/17 £000		2017/18 £000
1,965	Balance at 1 April	318
(112)	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	(99)
(1,535)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(708)
<u>318</u>	Balance at 31 March	<u>(489)</u>

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, e.g. 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.

2016/17 £000		2017/18 £000
	109 Balance at 1 April	91
(109)	Settlement or cancellation of accrual made at the end of the preceding year	(91)
91	Amounts accrued at the end of the current year	78
	(18) 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	(13)
	91 Balance at 31 March	78

28. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
(167)	Interest received	(450)
3,607	Interest paid	3,417

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/17 £000		2017/18 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(4,349)	Depreciation	(4,984)
(5,063)	Impairment and downward valuations	(7,259)
(107)	Amortisation	(115)
(72)	Increase / (decrease) in impairments for bad debts	254
(109)	Increase / (decrease) in Creditors	(110)
(409)	Increase / (decrease) in Debtors	390
-	Increase / (decrease) in Stock	(9)
(3,064)	Movement in pension liability	1,179
(1,155)	Carrying amount of non-current assets sold or derecognised	(1,342)
-	Movement in investment property value	-
(488)	Other non-cash items charged to the net surplus or deficit on the provision of services	663
	(14,816)	(11,333)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2016/17 £000		2017/18 £000
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
2,857	Capital grants credited to Surplus / Deficit on the Comprehensive Income and Expenditure Statement	3,287
1,491	Proceeds from the sales of Plant, Property and Equipment, Investment Property and Intangible Assets	1,273
	4,348	4,560

29. Cash flow Statement - Investing Activities

2016/17 £000		2017/18 £000
11,000	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	11,493
95,317	Purchase of short-term and long-term investments	64,576
-	- Capital Grant Repayments	184
(1,512)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,273)
(94,265)	Proceeds from short-term and long-term investments	(66,852)
(2,951)	Capital grants and income from discounts	(2,626)
<u>7,589</u>	Net cash flows from investing activities	<u>5,502</u>

30. Cash flow Statement - Financing Activities

2016/17 £000		2017/18 £000
3	Cash payments for the reduction of the outstanding liabilities relating to finance leases	4
809	Repayment of short and long term borrowing	2,609
(3,578)	Billing authority - Council Tax and NNDR adjustments	745
<u>(2,766)</u>	Net cash flows from financing activities	<u>3,358</u>

31. Acquired and Discontinued Operations

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

32. Trading Operations

The trading operations are detailed below excluding Capital Charges and support service costs.

2016/17			2017/18		
Expend £000	Income £000	Net £000	Expend £000	Income £000	Net £000
General Fund					
2	(111)	(109)	3	(103)	(100)
129	-	129	131	-	131
110	(208)	(98)	128	(154)	(26)
10	(25)	(15)	11	(29)	(18)
-	(3)	(3)	-	(4)	(4)
39	(38)	1	36	(32)	4
1	(53)	(52)	1	(51)	(50)
35	(53)	(18)	10	(52)	(42)
<u>326</u>	<u>(491)</u>	<u>(165)</u>	<u>320</u>	<u>(425)</u>	<u>(105)</u>
Total Trading (Surplus) / Deficit					

33. Agency Services

There were no agency services in 2017/18.

34. Members Allowances

Members allowances paid during 2017/18 totalled £353,912.85 (2016/17 £372,748.00). Further details are available on the Council's website.

35. Officers Remuneration

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

Senior Officers emoluments 2017/18 - salary is between £50,000 and £150,000 per year

Post Title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Managing Director	101,922	963	17,538	120,423
Deputy Managing Director	83,163	963	14,529	98,655
Head of Environment & Healthy Lifestyles	65,237	963	11,438	77,638
Head of Economic Development (i)	38,172	515	6,103	44,790
Head of Governance & Corporate Services	65,047	963	11,444	77,454
Head of Housing & Partnerships	65,047	963	11,429	77,439
	418,588	5,330	72,481	496,399

Heads of Service titles have changed to truly reflect the areas that they cover, the changes are listed below:

Former Title	New Title
Head of Commissioning	Head of Environment & Healthy Lifestyles
Head of Governance	Head of Governance & Corporate Services

- (i) The Head of Economic Development left 13 October 2017 and the post remained vacant in 2017/18. The post has been filled in 2018/19 and will be renamed Head of Economic Prosperity.

The Council operates a number of shared services with Stafford Borough Council which operate on the basis of a lead authority. The posts set out below are responsible for the provision of services to the recipient authority:-

Post	Lead Authority	Recipient
Deputy Managing Director	Cannock Chase District Council	Stafford Borough Council
Head of Governance	Cannock Chase District Council	Stafford Borough Council

In addition the Council also receives services from Stafford Borough Council for provision of services to the recipient authority:-

Post	Lead Authority	Recipient
Head of Human Resources	Stafford Borough Council	Cannock Chase District Council
Head of Law & Administration	Stafford Borough Council	Cannock Chase District Council
Head of Technology	Stafford Borough Council	Cannock Chase District Council

Senior Officers emoluments 2016/17 - salary is between £50,000 and £150,000 per year

Post Title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Managing Director	101,132	963	17,364	119,459
Deputy Managing Director	82,191	963	14,343	97,497
Head of Commissioning	68,408	963	11,331	80,702
Head of Economic Development	67,079	963	11,183	79,225
Head of Environmental Health (i)	64,293	963	11,319	76,575
Head of Governance	67,818	963	11,269	80,050
Head of Housing & Partnerships	64,087	963	10,669	75,719
	515,008	6,741	87,478	609,227

- (i) The Head of Environmental Health left 31 March 2017 and the post was deleted.

There are no other employees within the Council receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) in 2017/18 or 2016/17.

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	3	3	5	1	8	4	48	51
£20,001 - £40,000	2	1	-	-	2	1	61	39
£40,001 - £60,000	-	2	-	-	-	2	-	102
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001+	1	-	-	-	1	-	174	-
TOTAL	6	6	5	1	11	7	283	192

36. External Audit Costs

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

2016/17 £000		2017/18 £000
52	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	52
14	Fees payable to the Grant Thornton for the certification of grant claims and returns for the year	13
-	- Rebate from the Audit Commission during the year	(7)
66	Total	58

37. Grant Income & Precepts on the Collection Fund

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
1,406	Revenue Support Grant	776
6,296	Precepts On The Collection Fund	6,521
3,434	NNDR	3,990
1,403	New Homes Bonus	975
14	Other general grants	16
2,691	Capital Grants-General Fund	2,515
166	Capital Grants-HRA	772
15,410	Total	15,565
	Credited to Services	
14,175	Rent Allowances	13,138
11,263	Housing Benefit Subsidy	10,832
347	Housing Benefit Admin Grant	320
141	Cost Of Collection Allowance	131
125	DCLG Local Council Tax Scheme Grant	120
-	- Discretionary Housing Payments	86
4	New Burdens Property Searches	16
-	- Homelessness Prevention Grants	106
-	- Local Taxation (Grant Fund)	152
13	Elections	13
152	Other grants	41
26,220	Total	24,955
-	- Amounts not Reported to Management for Decision Making	-
26,220		24,955

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

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

(i) **Current Liabilities**

2016/17 £000		2017/18 £000
	Revenue Grants Receipts in Advance	
-	Other	-
2	Committed Sums	3
80	Section 106 Developers Revenue Contributions	73
82	Total	76
	Capital Grants Receipts in Advance	
768	Section 106 Developers Capital Contributions	526
768	Total	526

The Council does not hold a donated assets account.

38. 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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 37 Grant Income and Precepts on the Collection Fund.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2017/18 is shown in Note 34. Details of member's interest are recorded in the Register of Members' Interest maintained by the Council. During 2017/18 there were no significant works and services commissioned from companies in which members had an interest.

Officers

During 2017/18 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 2017/18 that are required to be disclosed.

Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Stafford Borough Council, Cannock Chase District Council paid £1.131 million for Stafford Borough Council hosted services and received £2.516 million for services hosted at Cannock.

39. 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.

2016/17	2017/18
£000	£000
96,419	95,769
Capital Investment	
11,128 Property, Plant and Equipment	12,957
44 Intangible Assets	-
1,035 Revenue Expenditure Funded from Capital under Statute	955
Sources of finance	
(896) Capital receipts	(1,329)
(3,249) Government grants and other contributions	(3,011)
(3,134) Major Repairs Reserve	(3,512)
Sums set aside from revenue:	
(4,928) Direct revenue contributions	(4,747)
(641) Minimum Revenue Provision (MRP)	(1,941)
(9) Walsall Debt Repayment	(9)
- Finance Lease Payment	(208)
95,769	94,924
Explanation of movements in year	
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	
(249) HRA	(1,565)
(401) General Fund	(593)
- Assets acquired under finance leases	1,313
(650)	(845)
Increase/(decrease) in Capital Financing Requirement	Requirement

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

At 31 March 2018 there were 47 completed loans with an estimated indemnity amount of £1,058,013. The full cumulative interest accrued of £183,824 has been put aside for potential defaults. It should be noted that to date there have been no defaults on mortgages advanced through the scheme although one mortgage is in arrears at 31 March 2018.

40. Leases

Council as Lessee

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 2017 £000	31 March 2018 £000
- Current Finance lease Liabilities	213
- Non Current	892
- Finance costs payable in future years	78
- Minimum Lease Payments	1,183

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

	Minimum lease Payments		Finance Lease Liabilities	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Not later than one year	-	239	-	213
Later than one year not later than five years	-	944	-	892
Later than five years	-	-	-	-
Minimum Lease Payments	-	1,183	-	1,105

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:

2016/17 £000		2017/18 £000
227	Not later then one year	230
875	Later than one year and not later than five years	864
12,057	Later than five years	11,842
13,159		12,936

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

2016/17 £000		2017/18 £000
249	Minimum Lease Payments	230
249		230

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 was received in 2016/17. 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 2017 £000		31 March 2018 £000
491	Not later than one year	511
1,428	Later than one year and not later than five years	1,451
40,724	Later than five years	40,873
<u><u>42,643</u></u>		<u><u>42,835</u></u>

41. Impairment Losses

The impairment losses for 2017/18 were £nil (2016/17 £nil).

42. Termination Benefits

The Council terminated the contracts of 7 employees in 2017/18 incurring liabilities of £192,000 (£283,000 in 2016/17). See Note 35 for the number of exit packages and total cost per band.

Of this total £175,000 is in respect of redundancy costs and £17,000 was for a resignation.

43. Defined Benefit Pension Schemes**Participation in Pension Schemes**

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

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

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

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

Transactions Relating to Post-employment Benefits

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

2016/17 £000		2017/18 £000
	Comprehensive Income and Expenditure Statement	
	Service Cost	
2,727	Current service cost	4,036
70	Past service cost (including curtailments)	101
<u>2,797</u>	Total Service Cost	<u>4,137</u>
	Financing and Investment Income and Expenditure	
(3,124)	Interest income on scheme assets	(2,586)
5,474	Interest cost on defined benefit obligation	4,416
<u>2,350</u>	Total Net Interest	<u>1,830</u>
<u>5,147</u>	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	<u>5,967</u>
	Remeasurements of the Net Defined Liability Comprising:	
(11,106)	Return on plan assets excluding amounts included in net interest	204
(698)	actuarial (gains) / losses arising from changes in demographic assumptions	-
25,568	actuarial (gains) / losses arising on changes in financial assumptions	(3,049)
(8,920)	Other	(80)
<u>4,844</u>	Total remeasurements recognised in other comprehensive income	<u>(2,925)</u>
<u>9,991</u>	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>3,042</u>
	Movement in Reserves Statement	
(5,147)	reversal of net charges made to the (surplus) or deficit on the provision of Services	(5,967)
3,346	Employers Contributions Payable to the Scheme	3,338

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016/17 £000		2017/18 £000
(102,305)	Fair value of employer assets	(107,128)
171,078	Present value of funded liabilities	172,084
5,969	Present value of unfunded liabilities	5,682
<u>74,742</u>	Net Liability arising from the Defined Benefit Obligation	<u>70,638</u>

Reconciliation of the Movements in the Fair Value of Scheme Assets

2016/17 £000		2017/18 £000
90,518	Opening fair value of scheme assets	102,305
3,124	Interest income	2,586
	Remeasurement gain/(loss)	
11,106	Return on plan assets excluding the amounts included in net interest	(204)
2,083	Contributions from employer	7,146 *
645	Contributions from employees into the scheme	634
(5,171)	Benefits paid	(5,339)
<u>102,305</u>	Closing Fair Value of Scheme Assets	<u>107,128</u>

* This figure includes a lump sum contribution of £5.018 million in respect of pension past deficit payments. This covers the financial years 2017/18/ to 2019/20 which has been paid as a lump sum to take advantage of reduced overall payments for early payment. The impact of this payment is to create a temporary timing difference between the pension reserve and the pension liability. This reflects the amount of the actual past deficit payment made to the pension fund as compared to the amount due under statutory arrangements as reflected in the Pension reserve. This is shown below: -

	£000
Pension Liability	(70,638)
Pension Reserve	74,446
	<u>3,808</u>

The breakdown of this amount is 2018/19 £1.773 million and 2019/20 £2.035 million.

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

2016/17	2017/18
£000	£000
157,352 Opening fair value of scheme liabilities	177,047
2,727 Current service cost	4,036
5,474 Interest cost	4,416
645 Contributions from scheme participants	634
Remeasurement (gains)/losses:	
(698) Actuarial (gains)/losses arising from changes in demographic assumptions	-
25,568 Actuarial (gains)/losses arising from changes in financial assumptions	(3,049)
(8,920) Other	(80)
70 Past service cost	101
(5,171) Benefits paid	(5,339)
<u>177,047</u> Closing Fair Value of Scheme Liabilities	<u>177,766</u>

Local Government Pension Scheme Assets comprised:

	Period Ended 31 March 2017				Period Ended 31 March 2018			
	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000
Equity Securities								
Consumer	6,863	-	6,863	7%	4,643	-	4,643	4%
Manufacturing	5,916	-	5,916	6%	4,474	-	4,474	4%
Energy and utilities	2,536	-	2,536	3%	1,312	-	1,312	1%
Financial Institutions	6,852	-	6,852	7%	4,348	-	4,348	4%
Health and Care	5,692	-	5,692	6%	3,171	-	3,171	3%
Information Technology	6,847	-	6,847	7%	3,035	-	3,035	3%
Other	102	-	102	0%	116	-	116	0%
Debt Securities								
Corporate Bonds investment grade	7,597	-	7,597	7%	8,128	-	8,128	8%
Private Equity								
All	-	3,248	3,248	3%	-	3,128	3,128	3%
Real Estate								
UK Property	-	8,236	8,236	8%	-	8,287	8,287	8%
Investment Funds and Unit Trusts								
Equities	34,147	-	34,147	33%	50,627	-	50,627	47%
Bonds	5,596	-	5,596	5%	6,304	-	6,304	6%
Hedge Funds	-	2,008	2,008	2%	-	1,881	1,881	2%
Other	-	1,526	1,526	1%	-	2,764	2,764	3%
Cash and Cash Equivalents								
All	5,139	-	5,139	5%	4,910	-	4,910	4%
Total Assets	<u>87,287</u>	<u>15,018</u>	<u>102,305</u>	<u>100%</u>	<u>91,068</u>	<u>16,060</u>	<u>107,128</u>	<u>100%</u>

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 are based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

2016/17	2017/18
Mortality assumptions	
Longevity at 65 for current pensioners:	
22.1 Men	22.1
24.4 Women	24.4
Longevity at 65 for future pensioners:	
24.1 Men	24.1
26.4 Women	26.4
2.4% Rate of Inflation	2.4%
2.8% Rate of increase in salaries	2.8%
2.4% Rate of increase in pensions	2.4%
2.5% Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2016/17.

Change in Assumptions at 31 March 2018	Approximate % Increase to Employee Liability	Approximate Monetary Value £000
0.5% decrease in real discount rate	9%	15,836
0.5% increase in the salary increase rate	1%	2,228
0.5% increase in the pension increase rate	8%	13,392

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2019/20 financial year.

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

The Authority anticipates to pay £1,709,000 expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for the funding scheme members is 16.8 years in 2017/18. This can be analysed further as follows:

	2017/18	
	Liability Split %	Weighted Average Duration Yrs
Active Members	41.6	22.6
Deferred Members	13.8	22.8
Pensioner Members	44.6	11.9
Total	100.0	16.8

44. Contingent Liabilities

Municipal Mutual Insurance

Under the Municipal Mutual Insurance Limited Scheme of Arrangement, the Council has a potential claw-back should there be a deficit in the winding up of the company. An initial payment was made in 2013/14 for £63,000 based on a 15% levy notice, in 2015/16 a further creditor provision of £44,897 has been made to increase to a 25% levy. As there is no certainty on the remaining liability this has been left as a contingent liability. It is the view of the Board at 31 March 2018 that a solvent run off of the Company's business cannot be guaranteed.

45. Contingent Assets

There are no contingent assets at 31 March 2018.

46. Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risks

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

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The Annual Investment Strategy for 2017/18 was approved by Full Council on 8 February 2017 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is £13.9 million at 31 March 2018. 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 2018 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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Customers (Sundry Debtors)	3,688	0.2	0	7	7
				<u>7</u>	<u>7</u>

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

The Council does not generally allow credit for customers (sundry debtors), such that £3.688m of the debtors balance which is included in note 19 (£4.315m after provisions for bad debts) is past its due date for payment. This balance can be analysed as follows:

31 March 2017		31 March 2018	
£000		£000	
415	Less than three months	370	
64	Three to six months	51	
22	Six months to one year	39	
2,982	More than one year	3,228	
<u>3,483</u>		<u>3,688</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.

All sums owing £13.9m are due to be paid in less than one year.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2017 £000		31 March 2018 £000
2,971	Less than one year	538
-	- Between one and two years	218
-	- Between one and five years	674
81,605	More than five years	81,605
<u>84,576</u>		<u>83,035</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	(217)
Impact on Surplus or Deficit on the Provision of Services	<u>(217)</u>
Decrease in fair value of fixed rate investment assets	3
Impact on Other Comprehensive Income and Expenditure	<u>3</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)	(21,167)

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

Price Risk

The Council does not generally invest in equity instruments or marketable bonds but does have investments in certificates of deposit to the value of £2.010m at 31 March 2018.

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

Foreign Exchange Risk

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

47. 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 2018.

48. Heritage Assets - Further Information on the Collections

Museum

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

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

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

Civic Regalia

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

49. Trust Funds

The Council as at 31 March 2018 administers two Trust Funds on behalf of third parties which do not form part of the Council's Consolidated Balance Sheet.

The funds are:

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

	Income £	Expenditure £	Assets £	Liabilities £
2017/18				
Benton's Trust	(46)	5,190	(9,145)	-
Total	(46)	5,190	(9,145)	-

	Income £	Expenditure £	Assets £	Liabilities £
2016/17				
Benton's Trust	(71)	-	(14,218)	-
Total	(71)	-	(14,218)	-

50. Deferred Liabilities

This relates to transferred assets loan debt that was part of the Local Government Reorganisation involving the transfer of assets between Aldridge/ Brownhills UDC and Cannock Chase Council. The debt is administered by Walsall MBC with loans outstanding as at 31 March 2018 of £50,276.

2016/17		2017/18
£000		£000
12	Principal and Interest - OLA's	12
<u>12</u>		<u>12</u>

51. Long Term Borrowing

Balance 31 March 2017 £000		Ranges Of Interest Rates Payable %	Balance 31 March 2018 £000
	Source Of Loan		
60,745	Public Works Loan Board	3.48 - 3.92	60,745
14,100	Public Works Loan Board	4.05 - 4.97	14,100
1,400	Public Works Loan Board	6	1,400
5,360	Public Works Loan Board	7.375 - 8	5,360
81,605			81,605
Balance 31 March 2017 £000			Balance 31 March 2018 £000
	Analysis of Loans by Maturity		
	- 1 to 2 years		-
	- 2 to 5 years		-
4,400	5 to 10 years		4,400
77,205	over 10 years		77,205
81,605			81,605

52. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Managing Director on 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

53. Prior Period Adjustment - Restatement of 2016/17 Comprehensive Income and Expenditure statement

The Council has undergone a Senior Management restructure during 2017/18 which has resulted in a number of changes to portfolios. There is no change to the overall service expenditure or income but has necessitated a restatement of the following statements for 2016/17.

- Comprehensive Income and Expenditure Account
- Note 6 Expenditure and Funding Analysis
- Note 7 Expenditure and Funding Analysis
- Note 8 Segmental Income

Set out below are the changes by portfolio for the Comprehensive Income and Expenditure Account, these adjustments flow through to the other statements detailed above.

Expenditure	Corporate Improvement £000	Environment £000	Culture & Sport £000	Economic Development £000	Housing General Fund £000	Health & Wellbeing £000	Town Centre Regeneration £000	Leader of the Council £000	Crime & Partnerships £000	Total £000
Opening	9,262	6,304	7,157	1,612	643	26,248	577	1,879	310	53,992
Public Buildings	(1,154)	-	-	1,154	-	-	-	-	-	-
Finance	(1,093)	-	-	-	-	-	-	1,093	-	-
Corporate Management	(77)	-	-	-	-	-	-	77	-	-
Non Distributed Costs	(70)	-	-	-	-	-	-	70	-	-
Excluded Items	(25)	-	-	-	-	-	-	25	-	-
Taxation	(3,164)	-	-	-	-	3,164	-	-	-	-
Vehicles	(153)	153	-	-	-	-	-	-	-	-
Christmas Illuminations	-	34	-	(34)	-	-	-	-	-	-
Allotments	-	-	-	-	-	-	-	-	-	-
Licensing	-	(198)	-	-	-	198	-	-	-	-
Private Sector Housing	-	179	-	-	(179)	-	-	-	-	-
CCTV	-	-	-	-	-	-	-	-	217	-
Social Alarms	318	-	-	-	-	(217)	-	-	-	-
Locality Commissioning	-	-	-	-	-	(318)	-	-	-	-
Civic Ballroom	-	-	-	-	-	(44)	-	-	44	-
Bus Shelters	-	42	-	-	-	-	(42)	-	-	-
Total Expenditure	3,844	6,514	7,157	2,732	464	29,031	535	3,144	571	53,992

Income	Corporate Improvement £000	Environment £000	Culture & Sport £000	Economic Development £000	Housing General Fund £000	Health & Wellbeing £000	Town Centre Regeneration £000	Leader of the Council £000	Crime & Partnerships £000	Total £000
Opening	(6,526)	(3,954)	(607)	(919)	(121)	(26,028)	(147)	(15)	(152)	(38,469)
Public Buildings Finance	615	-	-	(615)	-	-	-	-	-	-
Corporate Management	811	-	-	-	-	-	-	(811)	-	-
Non Distributed Costs	33	-	-	-	-	-	-	(33)	-	-
Excluded Items	40	-	-	-	-	-	-	(40)	-	-
Taxation	654	-	-	-	-	-	-	(654)	-	-
Vehicles	2,671	-	-	-	-	(2,671)	-	-	-	-
Christmas Illuminations	185	(185)	-	-	-	-	-	-	-	-
Allotments	-	(2)	-	2	-	-	-	-	-	-
Licensing	-	5	(5)	-	-	-	-	-	-	-
Private Sector Housing	-	257	-	-	1	(257)	-	-	-	-
CCTV	-	(1)	-	-	-	-	-	-	(48)	-
Social Alarms	(323)	-	-	-	-	48	-	-	-	-
Locality Commissioning	-	-	-	-	-	323	-	-	-	-
Civic Ballroom	-	-	17	(17)	-	21	-	-	(21)	-
Bus Shelters	-	(38)	-	-	-	-	38	-	-	-
Total Income	(1,840)	(3,918)	(595)	(1,549)	(120)	(28,564)	(109)	(1,553)	(221)	(38,469)

Net	Corporate Improvement	Environment	Culture & Sport	Economic Development	Housing General Fund	Health & Wellbeing	Town Centre Regeneration	Leader of the Council	Crime & Partnerships	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening	2,736	2,350	6,550	693	522	220	430	1,864	158	15,523
Public Buildings	(539)	-	-	539	-	-	-	-	-	-
Finance	(282)	-	-	-	-	-	-	282	-	-
Corporate Management	(44)	-	-	-	-	-	-	44	-	-
Non Distributed Costs	(30)	-	-	-	-	-	-	30	-	-
Excluded Items	629	-	-	-	-	-	-	(629)	-	-
Taxation	(493)	-	-	-	-	493	-	-	-	-
Vehicles	32	(32)	-	-	-	-	-	-	-	-
Christmas Illuminations	-	32	-	(32)	-	-	-	-	-	-
Allotments	-	5	(5)	-	-	-	-	-	-	-
Licensing	-	59	-	-	-	(59)	-	-	-	-
Private Sector Housing	-	178	-	-	(178)	-	-	-	-	-
CCTV	-	-	-	-	-	(169)	-	-	169	-
Social Alarms	(5)	-	-	-	-	5	-	-	-	-
Locality Commissioning	-	-	-	-	-	(23)	-	-	23	-
Civic Ballroom	-	-	17	(17)	-	-	-	-	-	-
Bus Shelters	-	4	-	-	-	-	(4)	-	-	-
Total Net	2,004	2,596	6,562	1,183	344	467	426	1,591	350	15,523

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HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2016/17 £000	Notes	2017/18 £000
Income		
19,659		19,507
378		361
74		89
309		317
20,420		20,274
Expenditure		
4,282		4,332
2,390		2,480
901		971
8		4
98		49
5,426	4	9,862
13,105		17,698
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.		
646		655
(6,669)		(1,921)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(3)		317
547		509
3,411		3,244
3		-
-		-
(166)		(772)
(2,877)		1,377

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2016/17 £000	2017/18 £000
(2,877)	1,377
3	(317)
(547)	(509)
166	772
410	(432)
(5,426)	(9,862)
3,236	2,976
248	1,565
103	(196)
(11)	(7)
4,544	4,674
(151)	41
1,629	1,780
1,780	1,739

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 2018 the Council was responsible for 5,154 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2017	Increase/ Decrease	Stock as at 31 March 2018
Flats			
1 Bedroom	811	(2)	809
2 Bedroom	242	-	242
3 Bedroom	5	-	5
4 Bedroom	1	-	1
Total	1,059	(2)	1,057
Houses & Bungalows			
1 Bedroom	1,283	(3)	1,280
2 Bedroom	1,180	26	1,206
3 Bedroom	1,565	(18)	1,547
4+ Bedroom	60	4	64
Total	4,088	9	4,097
Total HRA Dwellings	5,147	7	5,154

(ii) Valuation of Housing Property, Plant & Equipment

Net Book Value 31 March 2017 £000	Net Book Value 31 March 2018 £000
160,121 Council Dwellings	172,126
7,635 Other Land & Buildings	9,821
633 Vehicles, Plant & Equipment	439
982 Assets under construction	2,382
355 Intangibles	249
169,726	185,017

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2017 was £422,172,550. The vacant possession value and balance sheet value of dwellings within the Housing Revenue Account show the economic cost to Government of providing council housing at less than open market rents.

3. Rent Arrears

Arrears at the 31 March 2018 was £0.859m (31 March 2017 £1.391m)

2016/17 £000		2017/18 £000
366	Tenants Arrears - Current	290
1,025	Tenants Arrears - Former	569
<u>1,391</u>	Total Arrears	<u>859</u>

The provision for bad debts as at the 31 March 2018 is £0.696m (31 March 2017 £1.166m).

4. Depreciation and Impairment Charges**(i) Depreciation**

2016/17 £000		2017/18 £000
2,149	Dwellings	2,450
213	Other Operational Assets	213
174	Vehicles	206
106	Intangible Assets	107
<u>2,642</u>		<u>2,976</u>

(ii) Impairment Charges

2016/17 £000		2017/18 £000
2,784	Impairment	*
<u>2,784</u>		<u>6,886</u>

* This figure is included within the Revaluation decrease figure of (£7,317) shown in note 15.

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.

The valuation of dwellings is derived 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 40% of their gross value.

5. Capital

(i) Summary of Capital Expenditure

2016/17 £000		2017/18 £000
	Expenditure	
8,837	On Housing Properties	10,028
-	On Housing Intangibles	-
22	On Housing Equipment	11
140	On Housing Vehicles	-
8,999		10,039
	Financing	
622	Usable Capital Receipts	991
4,435	Revenue Contributions to Capital	4,674
109	Reserves	-
3,134	Major Repairs Reserve	3,512
699	Grants and other contributions	862
8,999		10,039
	- Increase in underlying borrowing	-

(ii) Major Repairs Reserve

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

	£000
Balance at 1 April 2017	1,419
Transfer to Major Repairs Reserve	2,976
Financing of Capital spend	(3,512)
Balance at 31 March 2018	883

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

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

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

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

2016/17	Business Rates £000	2017/18 Council Tax £000	Total £000
Total			
£000			
Income			
43,358 Council Tax Receivable	-	46,108	46,108
35,552 Business Rates Receivable	30,469	-	30,469
78,910 Total Income	30,469	46,108	76,577
Expenditure			
Precepts and Demands			
32,861 Staffordshire County Council	2,705	31,502	34,207
20,254 Cannock Chase District Council	12,025	5,759	17,784
599 Parishes	-	647	647
2,276 Stoke-on-Trent and Staffordshire Fire and Rescue Authority	300	1,973	2,273
4,822 Office of the Police and Crime Commissioner Staffordshire	-	4,995	4,995
18,365 Payments to Central Government	15,031	-	15,031
79,177	30,061	44,876	74,937
Charges to Collection Fund			
448 Write offs of uncollectable amounts	300	88	388
(450) Increase / (reduction) in bad debts provision	(91)	309	218
5 Interest	-	-	-
- Transitional Protection Payments Payable	905	-	905
1,057 Increase / (reduction) in provision for appeals	(1,113)	-	(1,113)
137 Costs of Collection	131	-	131
(6,090) Distribution of previous years Collection Fund Surplus / (Deficit)	(1,494)	110	(1,384)
74,284 Total Expenditure	28,699	45,383	74,082
(4,626) (Surplus)/Deficit for Year	(1,770)	(725)	(2,495)
Movement of Collection Fund Balances			
4,843 Balance brought Forward	1,115	(898)	217
(4,626) Add (Surplus)/Deficit for the Year	(1,770)	(725)	(2,495)
217 Balance Carried Forward	(655)	(1,623)	(2,278)

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Council Tax Base and Council Tax Levels

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

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

Council Tax Base 2017/18				
Band		Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A	Disabled	45.25	5/9	25.14
A		11,929.76	6/9	7,953.17
B		12,165.00	7/9	9,461.67
C		7,199.75	8/9	6,399.78
D		4,546.01	1	4,546.01
E		1,618.25	11/9	1,977.86
F		577.00	13/9	833.44
G		249.50	15/9	415.83
H		9.25	2	18.50
		<u>38,339.77</u>		<u>31,631.40</u>
	Other Adjustments and Discounts			(4,059.52)
				<u><u>27,571.88</u></u>

The actual tax base for 2017/2018 was 28,329.06 an increase of 757.18 (2.7%)

2. Council Tax Chargeable for a Band D Property

2016/17		2017/18	
Council Tax £		Precept £000	Council Tax £
1,088.65	Staffordshire County Council	31,502	1,142.54
204.87	Cannock Chase District Council	5,759	208.87
22.06	Parish Council (Average)	647	23.47
177.61	Office of the Police and Crime Commissioner - Staffordshire	4,995	181.16
70.33	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	1,973	71.56
<u>1,563.52</u>	Total	<u>44,876</u>	<u>1,627.60</u>

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

3. Non-Domestic Rates (NDR)

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

The rates payable, subject to reliefs and reductions, are calculated on the basis of Rateable Value of individual properties (provided by the Valuation Office Agency) multiplied by a specified rate as determined by Central Government. The specified rate for 2017/18 was 47.9p (2016/17 49.7p). The rate was reduced following the national revaluation as at 1/4/17.

The total non-domestic rateable value at 31 March 2018 was £82.226M (£86.241M at 31 March 2017).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31 March 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares.

4. The Fund Balance

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

Fund Balance 31 March 2017 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2018 £000
(128)	Cannock Chase District Council	(100)	(228)
(630)	Staffordshire County Council	(513)	(1,143)
(100)	Office of the Police and Crime Commissioner - Staffordshire	(82)	(182)
(40)	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(30)	(70)
<u>(898)</u>		<u>(725)</u>	<u>(1,623)</u>

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

Fund Balance 31 March 2017 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2018 £000
446	Cannock Chase District Council	(708)	(262)
101	Staffordshire County Council	(160)	(59)
557	Central Government	(884)	(327)
11	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(18)	(7)
<u>1,115</u>		<u>(1,770)</u>	<u>(655)</u>

The deficit for the year includes a distribution of the estimated deficit of £1.494m as at 15 January 2017 position.

5. Precepts and Demands on the Collection Fund

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

2016/17		2017/18		
Precept/ Demand for year £000	Council Tax	Precept/ Demand for Year £000	Plus Share of Surplus £000	Total Paid in year £000
5,585	Cannock Chase District Council	5,759	16	5,775
599	Parishes	647	-	647
29,665	Staffordshire County Council	31,502	76	31,578
4,840	Office of the Police and Crime Commissioner - Staffordshire	4,995	13	5,008
1,916	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	1,973	5	1,978
<u>42,605</u>		<u>44,876</u>	<u>110</u>	<u>44,986</u>

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

2016/17		2017/18
Precept/ Demand for Year £000	Business Rates	Precept/ Demand for Year £000
14,692	Cannock Chase District Council (40%)	12,025
3,305	Staffordshire County Council (9%)	2,705
18,365	Central Government (50%)	15,031
367	Stoke-on-Trent and Staffordshire Fire and Rescue Authority (1%)	300
<u>36,729</u>		<u>30,061</u>

The precept / demand for the year includes the recovery of the deficit recorded in NNDR1 of £1.494 million in accordance with statutory requirements.

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

6. Provision for Appeals

As at 31 March 2018 the estimated value of appeals provision against Rateable Value amounts to £5.203 million. The provision is split into two periods covering 1 April 2010 to 31 March 2017 £3.476 million for the 2010 List and a period covering 1 April 2017 to 31 March 2018 £1.727 million for the 2017 List.

GLOSSARY OF FINANCIAL TERMS

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

Accounting Concepts

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

Accounting Policies

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

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

Agent

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

Balance Sheet

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

Balances

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

Business Rates

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

Capital Adjustment Account

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts Reserve

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

Carrying Amount

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

Cash Equivalents

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CIPFA

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

Code of Practice

This is the Statement of Recommended Practice which was the framework for published accounts to 31 March 2018.

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.

Commuted Sums

Monies which are given to the council as part of the section 106 agreements for planning towards the maintenance of the are for a number of years.

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 area) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.
- activities are discontinued where they cease completely and are not simply transferred to another part of the public sector.

Emoluments

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

Expected Rate of Return on Pension Assets

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

Fair Value

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

Fees and Charges

Income arising from the provision of services.

Finance Lease

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

Financial Instruments

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

Financial Reporting Standards (FRS)

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

Financial Year

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

GAAP

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

General Fund

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

Government Grants

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

Heritage assets

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

Housing Revenue Account (HRA)

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

HRA Subsidy

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

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Assets

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

Infrastructure Assets

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

Interest Cost

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

Investment Properties

Interest in land and/or buildings:

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

Investments

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

Leasing

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

Liabilities

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

Liquid Resources

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

Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Major Repairs Allowance

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rate (NNDR)

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

Net Book Value

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

Net Current Replacement Cost

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. 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.

RCCO (Revenue Contribution to Capital Outlay)

This is where funded is provided from the revenue account to support capital expenditure.
another.

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.

Section 106

Planning agreement between the Council and a Developer which requires them to provide specific funding as a result of development in the area (i.e. new homes).

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.

Report of:	Head of Finance
Contact Officer:	Bob Kean
Telephone No:	01543 464 334
Portfolio Leader:	Leader of the Council
Key Decision:	No
Report Track:	Audit & Governance Cttee: 26/07/18 and Council: 26/09/18

AUDIT & GOVERNANCE COMMITTEE
26 JULY 2018
ANNUAL TREASURY MANAGEMENT REPORT 2017/18

1 Purpose of Report

- 1.1 To update members on treasury management activity and performance during the 2017/18 financial year.

2 Recommendations

- 2.1 To note the annual treasury management report for 2017/18.
- 2.2 To approve the actual 2017/18 prudential and treasury indicators set out in the **APPENDIX**.

3 Key Issues and Reasons for Recommendation

- 3.1 Treasury management activity and performance during the 2017/18 financial year.

4 Relationship to Corporate Priorities

- 4.1 Treasury management and investment activity link in with all of the Council's priorities and spending plans.

5 Report Detail

Background

- 5.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the

actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

- 5.2 During 2017/18 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 08/02/2017)
 - a mid-year (minimum) treasury update report (A&G 05/12/2017)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 5.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 5.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee before they were reported to the full Council. Training has been undertaken by members of the Audit and Accounts Committee and further training will be arranged as required.

The Economy and Interest Rates

- 5.5 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%. The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter. The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

5.6 **PWLB borrowing rates** increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

Overall Treasury Position as at 31 March 2018

5.7 At the beginning and the end of 2017/18 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

TABLE 1	31 March 2017 Principal £'000	Rate/ Return	Average Life (yrs.)	31 March 2018 Principal £'000	Rate/ Return	Average Life (yrs.)
Total debt (PWLB)	84,205	4.18%	38.4	81,605	3.89%	36.68
CFR	95,769			94,924		
Over / (under) borrowing	(11,564)			(13,319)		
Total investments	18,600	0.57%	0.36	11,900	0.37%	0.27
Short term borrowing	(2,600)			0		
Net investments	16,000			11,900		
Net debt	65,605			69,705		

Strategy for 2017/18

5.8 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2017/18. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

5.9 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

5.10 During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

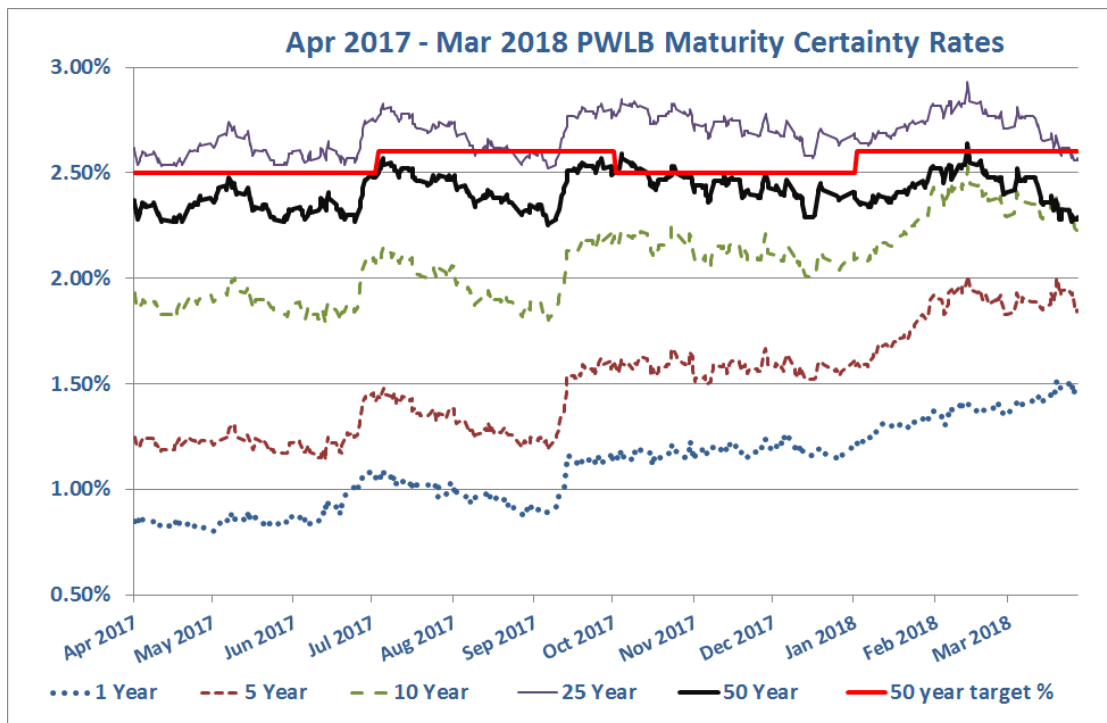
Borrowing Requirement

5.11 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

TABLE 2	31-Mar-17 Actual £'000	31-Mar-18 Budget £'000	31-Mar-18 Actual £'000
CFR (Housing)	81,518	80,054	79,953
CFR (GF)	14,251	13,866	13,866
CFR (Finance Leases)			1,105
CFR (Total)	95,769	93,921	94,924

Borrowing Rates in 2017/18

5.12 **PWLB certainty maturity borrowing rates** - As depicted in the graph below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

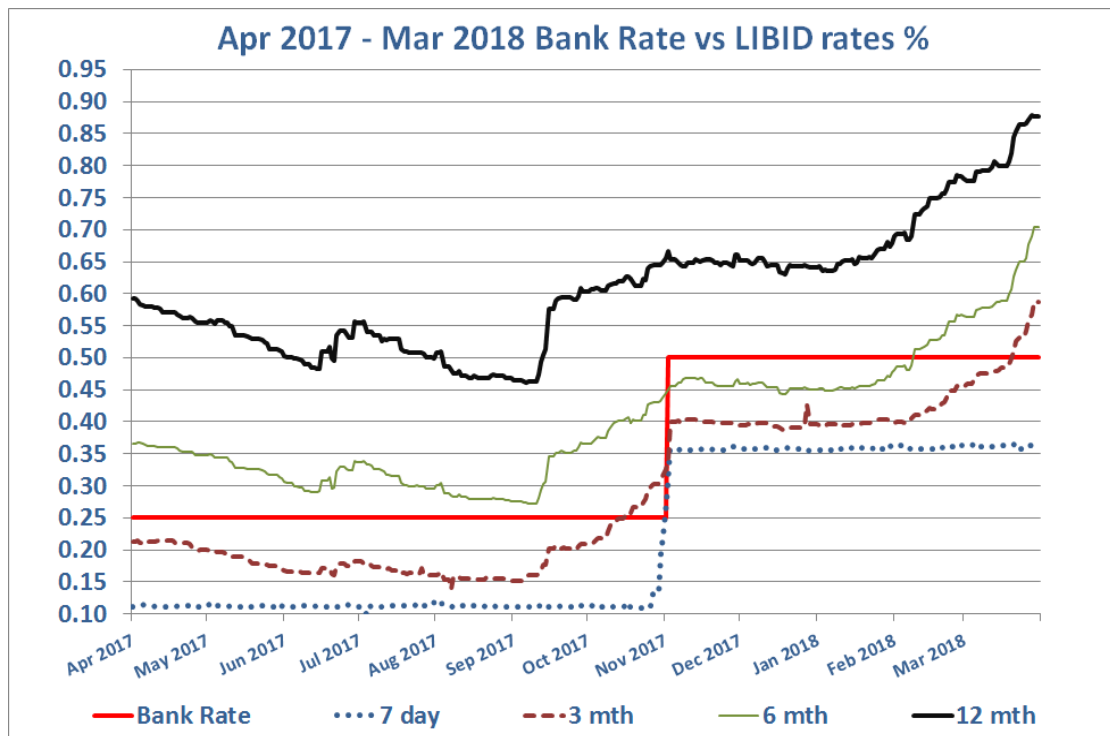


Borrowing Outturn for 2017/18

5.13 **Borrowing** - Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Investment Rates in 2017/18

- 5.14 Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



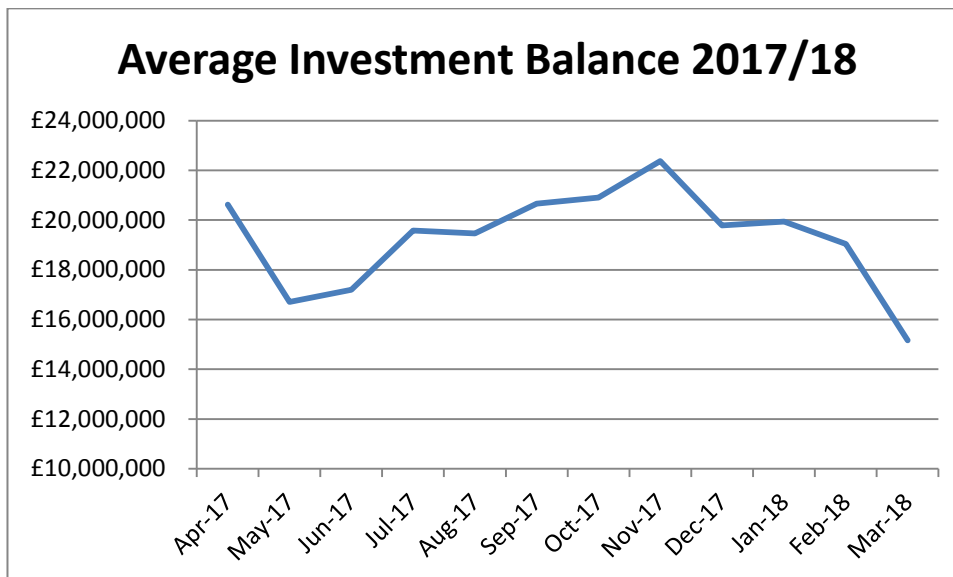
Investment Outturn for 2017/18

- 5.15 **Investment Policy** - the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 08/02/2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).
- 5.16 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5.17 **Investments held by the Council** - the Council's investments as at 31 March 2018 are set out in the following table:-

Counterparty	Start Date	Maturity	Value (£)	Rate (%)
Standard Life		Money Market	4,900,000	0.46
Federated		Money Market	2,000,000	0.46
The Royal Bank of Scotland	11/09/2017	10/09/2018	2,000,000	0.56
Helaba Bank	16/11/2017	16/05/2018	2,500,000	0.52
Barclays Bank PLC		Call Account	500,000	0.05
			11,900,000	

5.18 The Council maintained an average balance of £21.3m of internally managed funds. The internally managed funds earned an average rate of return of 0.37%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.21%. The chart below illustrates the movement in the level of investments held by the Council at each month end during the year.



5.19 Although the average rate of return exceeded the benchmark, overall investment earnings of £140,215 were less than predicted when compared to the original budget of £158,000, set in February 2017.

6 Implications

6.1 Financial

The financial implications have been referred to throughout the report.

6.2 Legal

The legal implications have been referred to throughout the report.

6.3 Human Resources

There are no human resource implications arising from this report.

6.4 Section 17 (Crime Prevention)

There are no implications arising from this report.

6.5 Human Rights Act

There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

6.6 Data Protection

There are no implications arising from this report.

6.7 Risk Management

Treasury management is a high risk area due to the large amounts of money dealt with on a daily basis. However, the Council has a Treasury Policy and Strategy in place which is approved each year for the following 12 months. The Council also has advice on investment and lending from the leading company in the field and has instituted a strict control and delegation of duties regime which reduces risk to a minimum.

6.8 Equality & Diversity

There are no identified implications arising from this report.

6.9 Best Value

The strategy ensures that best value is provided to the Council.

7 Appendices to the Report

Appendix 1: 2016-17 Prudential and Treasury Indicators

Previous Consideration

None

Background Papers

Available in Financial Services.

ITEM NO. 7.

AUDIT & GOVERNANCE COMMITTEE
26 JULY 2018
ANNUAL TREASURY MANAGEMENT REPORT 2017/18

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18
	Actual	Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure (HRA)	8,999	10,634	10,039
Capital Expenditure (GF)	3,207	3,421	2,560
Notional Capital expenditure – Finance Leases			1,312
Ratio of financing costs to net revenue stream (HRA)	18.60%	25.20%	24.6%
Ratio of financing costs to net revenue stream (GF)	3.90%	3.70%	3.6%
Gross borrowing requirement (GF) - Finance Leases	0	0	1,105
Gross debt	84,205	81,708	81,605
Capital Financing Requirement as at 31 March (HRA)	81,518	80,054	79,953
Capital Financing Requirement as at 31 March (GF)	14,251	13,866	14,971
Annual change in Cap. Financing Requirement (HRA)	-249	-1,464	-1,565
Annual change in Cap. Financing Requirement (GF)	-401	-385	-385
Annual Change in CFR - Finance Leases			1,105
2. TREASURY MANAGEMENT INDICATORS			
Authorised Limit for external debt -	108,284	111,410	111,410
Operational Boundary for external debt	96,784	99,910	99,110
Actual external debt	84,205	81,708	81,605

Maturity structure of fixed rate borrowing during 2017/18	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%