Please ask for: Matt Berry

Extension No: 4589

E-Mail: mattberry@cannockchasedc.gov.uk

19 July, 2019

Dear Councillor,

AUDIT & GOVERNANCE COMMITTEE
4:00PM, MONDAY 29 JULY, 2019
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 TUESDAY 23 JULY, 4PM, IN THE ESPERANCE ROOM

Yours sincerely,

T. McGovern
Managing Director

To: Councillors

Witton, P.T. (Chairman)
Cartwright, Mrs. S.M. (Vice-Chairman)

Crabtree, S.K. Johnson, J.P.
Fisher, P.A. Stretton, Mrs. P.Z.
Jones, Mrs. V.

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 25 June, 2019 (enclosed).

4. The Audit Findings for Cannock Chase District Council 2018/19

Report of the External Auditors (Item 4.1 – 4.25).

5. External Audit of the Statement of Accounts 2018/19

Report of the Head of Finance (Item 5.1 – 5.8).

6. Statement of Accounts 2018/19

Report of the Head of Finance (Item 6.1 – 6.5 + separate booklet).

7. Annual Treasury Management Report 2018/19

Report of the Head of Finance (Item 7.1 – 7.11).

8. Cannock Chase District Council Audit Fee Letter 2019/20

Letter of the External Auditors (Item 8.1 – 8.3).

CANNOCK CHASE COUNCIL

MINUTES OF THE MEETING OF THE

AUDIT AND GOVERNANCE COMMITTEE

HELD ON TUESDAY 25 JUNE 2019 AT 4:00 P.M.

IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Witton, P.T. (Chairman)
Cartwright, Mrs. S.M. (Vice-Chairman)

Crabtree, S.K.	Johnson, J.P.
Fisher, P.A.	Stretton, Mrs. P.Z.

1. Apologies

Apologies were submitted for Councillor Mrs. V. Jones.

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 26 March 2019 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 *(presented by the Chief Internal Auditor and Risk Manager)* (Item 4.1 – 4.4 plus appendices of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager took Members through the key detail of the report, advising that the one of area of significant non-conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), was not considered to compromise the effectiveness of Internal Audit due to sufficient other safeguards being in place.

Members' attention was also drawn to the improvement plan set out in Appendix 3 of the report, advising that the one identified action was scheduled to be completed by December 2019.

RESOLVED:

That:

(A) The findings of the annual review of the Effectiveness of Internal Audit for 2018/19 be noted.

(B) It be noted that 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 2018/19.

5. Internal Audit Annual Report 2018/19

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 5.1 – 5.13 plus appendices of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager took Members through the issues identified in Appendix 1 of the covering report, in particular for the Staff Timekeeping & Leave and Fleet Management audits, both of which had been given a 'limited' assurance rating. A number of actions had been agreed that would hopefully address the various issues raised.

An amended appendix 3 of the covering report was circulated at the meeting as an incorrect version had been included within the original report. All audits referenced in the appendix were well in progress and would be reported to the Committee as part of the 2019/20 quarter 1 update later in the year.

The Chief Internal Audit & Risk Manager then took Members through the following sections of the Annual Report:

- Review of Control Environment;
- Significant Issues Arising 2018-19;
- Audit Performance;
- Fraud & Irregularity Work.

RESOLVED:

That the Internal Audit Annual Report 2018/19 be noted.

6. Strategic Risk Register

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 – 6.4 plus appendices of the Official Minutes of the Council).

The Head of Governance and Corporate Services advised Members that the Council's risk profile as at 1 April 2019 was unchanged from 1 October 2018, with one strategic risk rated 'red', and four rated 'amber'. A summary of the five strategic risks was detailed in Appendix 1 of the report, and the full risk register detailed in Appendix 2. For three of the risks, some progress had been made in managing them, and for the other two risks, they were on target to be reduced.

RESOLVED:

That the progress made in the identification and management of the Strategic Risks be noted.

7. Annual Governance Statement 2018/19

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 7.1 – 7.4 plus appendices of the Official Minutes of the Council).

The Head of Governance and Corporate Services advised Members that in respect of the 2017/18 Annual Governance Statement (AGS), five items had been completed or were on target for completion, work was in progress on two items, and one item had been deferred until 2019/20. The outstanding issues had been included in the 2018/19 AGS, where appropriate.

Members were then taken through the following aspects of the 2018/19 AGS:

- Review of Effectiveness;
    - Internal Audit
    - Risk Management
    - Statements of Assurance from Heads of Service
    - Statements of Assurance from the Statutory Officers
    - External Audit / Other Review Agencies
    - Leadership Team

- Opinion on the Governance Framework;

- Significant Governance Issues – three new issues had been added to the AGS, these being: Implications arising from EU Exit; Effective management of Corporate Assets and Compliance; and Economic Growth.

RESOLVED:

That the Annual Governance Statement for 2018/19 be approved.

The meeting closed at 4:30 p.m.

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CHAIRMAN

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ITEM NO. 4.1

Grant Thornton

The Audit Findings
For Cannock Chase District Council

Year ended 31 March 2019

29 July 2019

Contents

Your key Grant Thornton team members are:

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Harkamal Vaid
In-Charge Accountant
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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.

Headlines

This table summarises the key findings and other matters 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 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure 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. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report , is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 14. We have identified one adjustment to the financial statements of £2.021 million relating to the Council's net pension liability. This is detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion at Appendix D or material changes to the financial statements, subject to the following outstanding matters; - Final review of audit work by the Engagement Lead and consideration of the overall sufficiency of audit evidence - update of our subsequent events review to the date of sign off - receipt of management representation letter; and - review of the final set of financial statements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	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 We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 15 to 17.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties 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.

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.

Summary

Scope of our audit

This Audit Findings Report 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) and the Code, 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 included:

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

We have not had to alter or change our audit plan, as communicated to you in March 2019.

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 29 July 2019, as detailed in Appendix D.

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.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Cannock Chase District Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,250,000	• Business environment – the Council operates in a stable, publicly funded environment • Control environment – no significant deficiencies identified.
Performance materiality	937,500	• No history of significant deficiencies or high number of deficiencies • No history of a large number of misstatements.
Trivial matters	62,500	• Matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Specific materiality: - Senior officer remuneration	100,000	• Public interest

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**The revenue cycle includes fraudulent transactions (rebutted)**	We have considered our assessment of the presumed significant risk under ISA (UK) 240 that revenue may be misstated due to fraud and subsequent rebuttal as communicated in the audit plan and consider this to remain appropriate. The primary reasons for this rebuttal are: • 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 We therefore consider there is a low risk of material misstatement due to fraud in revenue.
2	**Management over-ride of controls**	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Conclusion** Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks (continued)

Risks identified in our Audit Plan	Commentary
3 **Valuation of land and buildings**	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to ensure they have are consistent with the valuer's report and have been input correctly into the Authority's asset register • evaluated the assumption made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end Our audit work has not identified any issues regarding the valuation of property, plant and equipment included within the financial statements. At the time of drafting this report this was subject to clearance of Engagement Lead review. As part of our audit work we also considered how management obtained assurance that assets not revalued in 2018/19 were not materially misstated. The potential estimation uncertainty for assets not revalued was identified by management as up to £383,000. 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.

Significant findings – audit risks (continued)

	Risks identified in our Audit Plan	Commentary
4	**Valuation of the pension fund net liability**	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (Hymans Robertson) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. At the time of drafting this report our audit work was still in progress. Our audit to date has identified one issue in relation to accounting for the impact of the McCloud Court of Appeal judgement. This is considered under section "Significant findings – other issues" at page 8.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

	Issue	Commentary	Auditor view
1	**Impact of the McCloud judgement** The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. Our Grant Thornton view was that this gave rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation. The Government applied to the Supreme Court for leave to appeal this ruling, but this was rejected in late June 2019. The case will now be remitted back to employment tribunal for remedy. The legal ruling has implications for pension schemes where transitional arrangements have been implemented, including the Local Government Pension Scheme (LGPS). This was confirmed on 15 July 2019 in a statement released by The Chief Secretary to the Treasury. The quote below confirms that remedies will need to be applied to the LGPS and hence supports the Authority's stance in the recognition of increased liabilities: *"As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members."*	The Council had included a contingent liability in its draft statement in relation to the McCloud ruling. As a result of the Supreme Court judgement the Council requested a revised IAS 19 report from its actuary to estimate the potential impact of the McCloud ruling, this also considered actual investment returns for the period. The actuary's estimate was that this would result in an overall increase of £2.0m to the net defined liability at 31 March 2019. Management have amended the financial statements to reflect the actuarial review of the impact	We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Our audit procedures have confirmed the relevant adjustments have been made to the financial statements in regard to the LGPS.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required and refer to data provided by Analyse Local to inform their estimate. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has increased by £964k in 2018/19.	We have: • Reviewed the appropriateness of the underlying information used to determine the estimate • Considered the reasonableness of increase/decrease in estimate. This has increased notably in the period as a result of appeals from NHS bodies and ATM providers • Confirmed the adequacy of disclosure of estimate in the financial statements	Green
Land and Buildings – Council Housing	The Council is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the internal valuer to complete the valuation of these properties. The year end valuation of Council Housing was £179.5m.	We have: • Assessed the objectiveness and competency of management's expert • Determined the accuracy of the underlying information used to determine the estimate • Verified the appropriateness of beacons applied to a sample of properties through agreement of their archetype • Tested the value of the properties by comparing a sample to publicly available market information to enable us to assess the reasonableness of the increase in the estimate • Confirmed the adequacy of disclosure of estimate in the financial statements Audit work is still ongoing but at the time of writing this report no issues have been identified.	Audit work not concluded

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other	Other land and buildings comprises specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are required to be valued at existing use in value (EUV) at year end. The Council has engaged Lambert Smith Hampton to complete the valuation of properties as at 31 March 2019 on a cyclical basis. 81% of other land and buildings were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £13.5m. Management have considered the year end value of non-valued properties to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value – see page 6 for further information	We have • Undertaken an assessment of management's expert, • Reviewed the completeness and accuracy of the underlying information used to determine the estimate • Reviewed the impact of any changes to valuation method • Agreed the reasonableness of increase in estimate • Reviewed the adequacy of disclosure of estimate in the financial statements At the time of drafting we are considering the changes in valuation for both Other Land and Buildings and Council Dwellings compared to our expectations of market changes.	Audit work not concluded

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability	The Council's net pension liability at 31 March 2019 is £79.438m. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements	See below	● Audit work not concluded

We have

- Undertaken an assessment of management's expert
- Reviewed and assessed the actuary's roll forward approach taken,
- Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4% - 2.5%	●
Pension increase rate	2.5%	2.4% - 2.5%	●
Salary growth	2.9%	Scheme and employer specific	●
Life expectancy – Males currently aged 45 / 65	24.1/ 22.1	23.7 – 24.4/ 21.5 – 22.8	●
Life expectancy – Females currently aged 45 / 65	26.4 – 24.4	26.2 – 26.9/ 24.1 – 25.1	●

We have reviewed:

- Completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Council's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

In October 2018, the High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements (GMPs) have had on members benefits. GMPs must be equalised between men and women and that past underpayments must be corrected. Actuaries have taken differing approaches to this issue. Hymans Robertson have not made any allowance for (GMPs). We have estimated an impact of 0.1% of gross pension liabilities. We do not consider this to be material.

At the time of drafting the completion of our audit work is subject to obtaining and considering information for benefits paid in the period and agreement of source data provided to the actuary.

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Management have assessed the Council as a going concern on the basis that: • There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Fund's ability to continue as a going concern. This extends but is not limited to at least twelve months from the reporting date. • The Authority are required by statute to produce an annual balanced budget, this is supplemented by the MTFP which currently covers the period to 31 March 2022 • The Authority, has a strong balance sheet as at 31 March 2019	As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). Management's assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary. Management assessment has concluded that no material uncertainty in respect of going concern exists. In addition based on our own review of the Council, we are aware that the Council has set an "approved budget" for 2019/20 and has a longer term financial plan. As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid one and there are no indications of material uncertainty.
Work performed	**Auditor commentary**
• Detailed audit work performed on management's assessment	• Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption. • The reported position of the council at 31 March 2019 per the draft financial statements shows that they have total current assets of £34m compared to £11.5m current liabilities, £20.1m and £7.5m of total current assets are cash and short term investments respectively and are therefore highly liquid. • The borrowings of the council, while significant are entirely with PWLB and therefore low risk. • The council will remain a going concern throughout the life of the MTFP however this will entail transfer of amounts from working balances to support the budget. Overall, reserves are anticipated to stay above the minimum required.
Concluding comments	**Auditor commentary**
	• We are satisfied that the preparation of the financial statements using the going concern principal is reasonable • Based on the above comments, we anticipate being able to issue an unmodified opinion.

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**	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures
2	**Matters in relation to related parties**	• 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**	• 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**	• A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers
5	**Confirmation requests from third parties**	• 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**	• Our review found no material omissions in the financial statements
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided.

Other responsibilities under the Code

	Issue	Commentary
❶	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified
❷	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • 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 We have nothing to report on these matters
❸	**Specified procedures for Whole of Government Accounts**	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. As the Council does not exceed the threshold no detailed procedures are required.
❹	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit of Cannock Chase District Council in the audit opinion, as detailed in Appendix D.

Value for Money

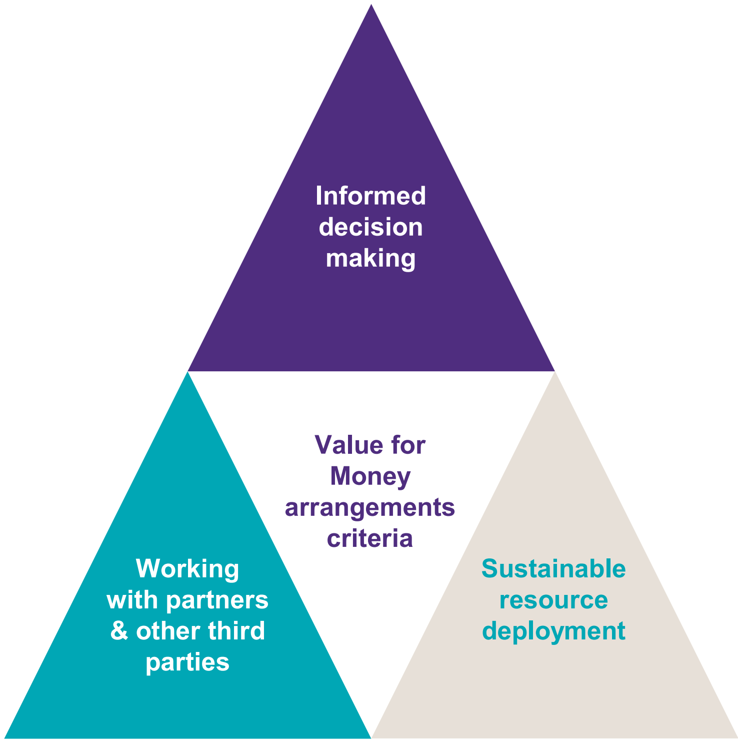
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 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 2019 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in March 2019.

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 relation to financial sustainability. In arriving at our conclusion, our main considerations were:

- Outturn in the period to planned budget
- Ability to set a balances budget for the 2019/20 financial period; and
- Plans for future and how these are incorporated in the MTFP

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 17.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

ITEM NO. 4.17

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
1	**Delivery of financial plans and sustainability** The Council have a good track record of delivering in year budgets and targets, however this remains a significant risk in 2018/19 against the backdrop of a challenging Local Government landscape. In particular, the uncertainty in regard to the future of Government funding and retention of business rates, as well as reliance on the successful delivery of Mill Green have led us to identify this as a significant risk area for the authority.	In 2018/19: • the overall revenue account position shows a favourable variance in net expenditure of £406,000 compared to budget agreed by Council for 2018/19. • after taking in to account changes in financing, the upshot of this is that the Council have had to transfer £48,000 less from working balances. • the portfolio outturn reflects a favourable variance of £128,000. • Income from business rates dropped in the year. This is pertinent in the light of the expected changes in the proportion of retained business rates in future. Linked to this was an increase in costs associated with business rates appeals (this corresponds to an increase in the provision per the balance sheet at 31 March 2019). • The performance of the Council is reported to Cabinet on a monthly basis and quarterly to the leadership team, any issues are also discussed with the Leader and Deputy Leader of the Council. It is the intention going forward that reporting will also go before Scrutiny. The 2019/ 20 budget process: • The Council has set a balance budget of £11.492m for 2019/20. This includes transfer to working balance of £102,000. • The assumptions in the 2019/20 budget appear reasonable and in line with our expectation MTFP: • The Council are able to set a balanced budget throughout the lifetime of the MTFP • We note that this currently assumes the transfer from working balances of £603,000 in 2020/21. However, the overall level of working balances is forecast to remain above the minimum required by a comfortable margin. • The level of uncertainty in the funding regime beyond 2020 is significant, particularly in relation to business rates retention. As noted in the MTFP this may have a material impact on council finances (£1.642m) depending on the intention for future retention of business rate growth.	**Auditor view** We are satisfied that the Council has adequate arrangements in place to deliver on financial plans as demonstrated by the month 12 outturn, the appropriate level of oversight is provided to ensure monitoring and reporting is fit for purpose. In addition to this, the Council have robust arrangement in place to formulate a prudent and measured MTFP which is reflective of the current environment and information currently available. While we believe that management has sufficient measures in place to forecast reasonably (a supporting paper is provided as an appendix to the budget on robustness of assumptions), the future models of funding in Local Government are uncertain and these are prevalent in the financial plans prepared by management. The authority faces significant challenge in the medium term and therefore we will continue to monitor this risk closely going forward.

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 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 C

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 which were charged from the beginning of the financial year to July 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,000	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 £2,000 in comparison to the total fee for the audit of £40,124 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.
Certification of Housing Benefits subsidy claim	13,500	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 £13,500 in comparison to the total fee for the audit of £40,124 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following issues in the audit of Cannock Chase District Council's 2017/18 financial statements, which resulted in two recommendations being reported in our 2017/18 Audit Findings report.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	**Publication of the draft Annual Governance Statement** Management need to ensure that the draft annual governance statement is published on their website alongside the draft financial statements by 31st May 2019.	The Council published their Annual Governance Statement in line with the stipulated deadline in 2018/19
2	✓	**Assets with a net book value of zero** 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.	A review of assets was undertaken at year end and assets with nil NBV were wither written out where they were no longer providing service or the useful economic life revised. There are no assets with a net book value of zero at 31 March 2019
3	X	**IT Administrator access** Management need to control the use of generic system administrator accounts in the Open Revenues platform as this undermines the principle of accountability	No change has been made to address this issue. **Management response** As stated last year the council understands 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.

Assessment

✓ Action completed

X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	**Adjustment to the Local Government pension scheme in respect of the McCloud judgement and return on investment assets**	2,021	(2,021)	Nil
	Overall impact	**£2,021**	**(£2,021)**	**£Nil**

It should be noted that the above adjustment had an impact on a number of notes and disclosures in the accounts however for ease of reference we have outlined the net impact on the pension fund liability

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	Auditor recommendations	Adjusted?
Narrative Report	We proposed that the narrative was enhanced to bridge the gap between portfolio spend and net revenue spend per the general fund	✓
Accounting Policies	Following the transition to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue) we proposed in line with Code requirements that the accounting policies reflect accounting treatment under the old and new standard as the comparative information presented was stated under the old standard. Management have determined that this adjustment will not be made on the basis that it could be misleading for the reader of the accounts and would not add significant value to the disclosure	X
Capital Commitments	The Council identified the disclosure of capital commitments in relation to the construction or enhancement of property, plant and equipment and improvements to the housing stock did not agree to supporting working papers provided for audit. We proposed that this disclosure was therefore update to reflect commitments.	✓

Fees

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

Audit Fees

Audit Fees	£
Council Audit – fee proposed per fee letter	40,124
Proposed fee variation Pensions and PPE valuation - The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 and PPE valuations needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 and PPE valuations this year. Assessing the impact of the McCloud ruling - The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December and the Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have carried out additional work considering the impact on the financial statements along with any audit reporting requirements.	3,000 1,500
Final fee – 2018/19 audit	£44,624
Final fee – 2017/18 audit	*£52,109*

The fee proposed per fee letter reconciles to the financial statements

The proposed fee variation has been discussed with Deputy Managing Director, but not agreed. It is also subject to agreement with PSAA Limited.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of Housing Capital Receipts grant	2,000
• Certification of Housing Benefits subsidy claim	13,500
	£15,500

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 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Housing Revenue Account Statement and Notes to the Collection Fund Statement. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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, the Narrative Report and the Annual Governance Statement and the Annual Report, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 and the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion (continued)

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the 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 23, 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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 2019.

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 2019.

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 Cannock Chase District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion (continued)

Use of our report

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

Richard Percival, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

30 July 2019

ITEM NO. 4.25

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ITEM NO. 5.1	

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 & Governance only**

AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

EXTERNAL AUDIT OF THE STATEMENT OF ACCOUNTS 2018/19

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 2019.

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 2018/19.

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.

ITEM NO. 5.2

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 2019. The accounts are then audited and considered by Audit and Governance Committee alongside the 'Audit Findings' report by 31 July 2019.

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.

5.4 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.

5.5 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

5.6 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.

5.7 The 'Audit Findings' report forms a separate item on the agenda and details the changes made and recommendations for performance improvement.

5.8 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).

5.9 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

Nil

Background Papers

File available in Financial Services

ITEM NO. 5.

ITEM NO. 5.4

Appendix 1

AUDIT AND GOVERNANCE COMMITTEE

29 July 2019

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	29 July 2019

Dear Richard,

Cannock Chase District Council - Financial Statements for the year ended 31 March 2019

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 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("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. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

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.

xi We have considered the unadjusted disclosure change schedule included in your Audit Findings Report and attached at Appendix A. We have not adjusted the financial statements for these changes brought to our attention as we are of the opinion that this would not enhance the users understanding of the accounts and may be misleading.

The financial statements are free of material misstatements, including omissions

xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv 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

xv 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.

xvi We have communicated to you all deficiencies in internal control of which management is aware

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii 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.

xix We have disclosed to all information in relation to 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.

xx 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, analysts, regulators or others.

xxi 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.

xxii 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.

xxiii 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

xxiv 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

xxv 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 29 July 2019.

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………

Name……………………………

Position…………………………

Date……………………………

Signed on behalf of the Council

ITEM NO. 5.8

Appendix A – unadjusted disclosure changes

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	Auditor recommendations	Adjusted?
Accounting Policies	Following the transition to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue) we proposed in line with Code requirements that the accounting policies reflect accounting treatment under the old and new standard as the comparative information presented was stated under the old standard. Management have determined that this adjustment will not be made on the basis that it could be misleading for the reader of the accounts and would not add significant value to the disclosure	X

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ITEM NO. 6.1

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 and Governance only**

AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

STATEMENT OF ACCOUNTS 2018/19

1 Purpose of Report

1.1 To present the audited Statement of Accounts for 2018/19 to the Audit and Governance Committee for approval.

2 Recommendations

2.1 That the audited Statement of Accounts for 2018/19 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 2019, 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 – 22 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 2018/19:

- 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 25)**

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 £7.633 million between the bottom line reported in Portfolio spending (General Fund and HRA) (£8.093 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£15.726 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 46 to 48 of the **SEPARATE BOOKLET**.

5.6.4 The Comprehensive Income and Expenditure Statement on page 25 reveals an increase in the net cost of services year on year of £3.819 million (2018/19 £15.726 million and 2017/18 £11.907 million). This increase primarily relates to changes in capital charges £2.846 million and void repairs cost coded to revenue £0.688 million. The net cost of services also includes CIL and S106 receipts of £1.632 million offset by reduction in income of £0.433 million and additional net pension costs of £0.485 million. A full analysis of the differences is shown in note 5 on page 45.

5.6.5 Other Comprehensive Income and Expenditure Account transactions include a surplus (£13.542 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 £4.139 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 Other Comprehensive Income and Expenditure of £15.036 million was recorded in 2018/19 (2018/19 surplus of (£9.403) million as compared to the 2017/18 surplus of (£24.439) million. This change is primarily due to reductions in the surplus in Property, Plant and Equipment valuations of £7.959 million and the re-measurement on the Pension assets and liabilities of £7.064 million (2018/19 gain of (£2.925 million), 2017/18 loss of £4.139 million). The 2018/19 figure relates principally to a slight reduction in the discount factor from 2017/18, also in addition there has been an impact on past service cost liabilities of £0.856 million as a result of court judgement cases on age discrimination in relation to other Public Sector schemes which have impacted on pension fund liabilities. The 2017/18 figure reflected a slight increase in the discount rate.

5.7 **Movement in Reserves Statement (pages 26 - 27)**

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 increased from £22.377 million on 31 March 2018 to £33.092 million on 31 March 2019, an increase of £10.715 million. Usable reserves have increased primarily as a result of additional Capital receipts (£5.313 million), Earmarked HRA reserves (£3.151 million) reflecting RCCO contributions and Major repairs reserve (£1.550 million). These amounts will all be used for capital financing and are included in the budgeted programme.

5.8 Balance Sheet (page 28)

5.8.1 There has been an increase in net assets of £6.406 million (2018/19 £106.345 million net assets, 2017/18 £99.939 million net assets).

5.8.2 The biggest change to report in relation to the Long Term assets of the Council relates to the increase in Property Plant and Equipment of £3.755 million, this is largely due to the revaluation of assets, with Council dwellings increasing by £7.093 million during 2018/19. Other land and buildings have reduced by £1.319 million reflecting disposals and valuations with Assets under Construction reduced by £2.094 million reflecting reclassification to operational land and buildings.

5.8.3 Long Term liabilities have increased by £9.531 million. £8.800 million; of this change is in relation to the pension deficit the increase arises from changes in financial assumptions on discount, pension interest rates and the impact of court judgements in relation to overall liabilities.

5.8.4 Current assets have increased by £14.987 million, which reflects the year end holdings of capital receipts and reserves, including the return of the Local Authority Mortgage Scheme Deposit.

5.9 Cash Flow Statement (page 29)

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 £11.895 million relates primarily to proceeds of capital receipts £8.081 million and return of Local Authority Mortgage Scheme deposit of £2 million. Further details are provided in notes 29, 30 and 31 on pages 69 - 70 of the **SEPARATE BOOKLET.**

5.10 Housing Revenue Account (page 89)

5.10.1 The Net Cost of HRA services shows a reduction in the surplus of £1.110 million, (£0.973 million) 2018/19 as compared to (£2.083 million) in 2017/18. Dwelling rents shows a reduction of £0.225 million whereas Repairs and Maintenance and supervision and Management General have increased by £0.594 million and £0.259 million respectively.

5.10.2 The Housing Revenue Account outturn (Statement of Movement on the Housing Revenue Account Balance shows a deficit of £0.166 million in 2018/19 compared with a deficit of £0.041 million in 2017/18. This change is in line with the budget set for 2018/19 which forecast a planned deficit of £0.208 million.

5.10.3 The housing working balance now stands at £1.573 million as at 31 March 2019. This is some £0.042 million in excess of the minimum requirement.

5.11 Collection Fund (page 93)

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 deficit of £0.473 million (this included a redistribution of surplus during the year of £0.695 million). After taking account of brought forward surpluses of (£1.623 million) this provides a cumulative surplus of £1.150 million (of which £0.155 million relates to this Council). The surplus will be taken into account within the Council Tax calculations for 2020/21.

5.11.3 The net position on the Collection Fund in respect of National Non-Domestic Rates for the year is a deficit of £0.784 million which after taking account of brought forward surplus of (£0.655 million) leaves a net deficit of £0.129 million. Cannock Chase's share of the deficit is £0.051 million.

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

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Cannock Chase COUNCIL

STATEMENT OF ACCOUNTS
2018/2019

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Narrative Report

The Statement of Accounts for the year ended 31 March 2019 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 2018/19 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 2018/19 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 2018/19
- 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 - 99,126 residents estimated in Mid-2017, of which around 96.5% were classified as White British in the 2011 Census. Of the total population in 2017, around 17,800 were aged under 16, 62,700 were of working age (16-64) and 18,600 were over the age of 65.

The Population is projected to rise by 0.9% by 2027. Much like other local authority areas, the District population is anticipated to change in age by 2027, with a decline in younger residents accompanied by a much larger increase in older aged residents.

Area - Over 7,000 hectares

Households – Around 42,000 households in 2018 including 5,150 council homes (as of April 2019)

House Price - £168,986 average property price (as of Feb 2019)

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 16.4% 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 - £530 per week for full-time workers (average gross weekly pay, 2018)

Employment - An ONS Claimant Count of 1.7% for Out-of-Work Benefits

Education – 51.1% of residents in the District aged 16-64 had qualifications equivalent to NVQ 3+ in 2018

Health & Leisure - Levels of physical inactivity remain high in the District, with 33.6% of residents classed as physically inactive, compared to a Staffordshire average of 28.3% and an England average of 25.2%.

Businesses in the district - 3,765 active business enterprises in 2017. Around 20% of these enterprises were in the broad industry group Construction. Historically, 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 provided the largest share of employment in 2017, with 24.4% of employee jobs. This is over 9% higher than the Great Britain average. Both Manufacturing and Transportation & Storage provided 12.2% of employee jobs in the District in 2017, providing a combined 24.4% of employee jobs.

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 for 2018/19 (as of 3 May 2018) was 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 – **Dean Piper**

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 446 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 5,150 stock of properties (as at April 2019).

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 (2015-2018), 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.

In April 2018, the Council launched its new five year Corporate Plan (2018-2023). The Corporate Plan conveys the vision and narrative of how the Council as an organisation will develop and evolve to meet ongoing challenges. The Corporate Plan identifies two key priorities for the five year life of the plan. These are 'Promoting Prosperity' and 'Improving Community Wellbeing'. The Council recognises that these objectives cannot be achieved in isolation and a collaborative approach to working with partners is key to achieving our aims and objectives.

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

As of April 2019, the Council is 12 months into its five year Corporate Plan and has made significant progress in a number of its key projects milestones designed to deliver under its priority areas. Key achievements and progress includes:

- Working with partners to establish a retail skills academy. Courses commenced with the provider in April 2019.
- The development of new leisure facilities at Chase Leisure Centre, including new gym and studio refurbishment.
- The delivery of a District wide Children and Adults safeguarding campaign.
- The upgrading of CCTV in the District to help further deter crime and support the police in prosecutions.

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 44%% since 2015/16 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.

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 2018/19, 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 2018/19 was £212.94.

The Council approved Portfolio spending of £11.879 million for 2018/19 as reflected in its Portfolio budgets set out in the table below. The actual spend was £0.128 million (-1.07%) less than the budget of £11.751 million. The following table sets out the overall net revenue budget outturn of £10.509 and financing compared with the budget set for the year of £10.781 million, a variance of £0.272 million:

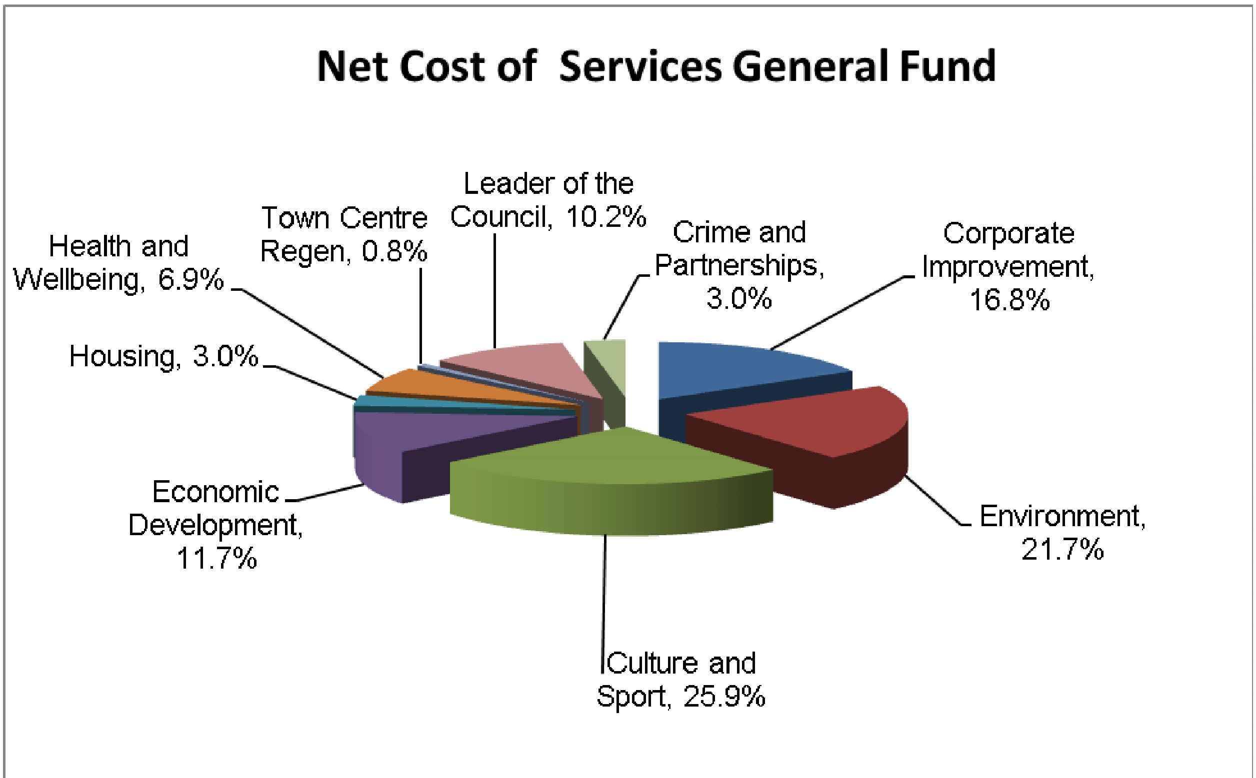
	Budget £'000	**Actual £'000**	**Variation £'000**
Portfolio Budgets	11,879	11,751	(128)
Investment income	(158)	(247)	(89)
Interest Payable	23	23	-
Technical items	514	333	(181)
Use of Government Grants	(1,104)	(1,112)	(8)
Business Rates Pool	(373)	(239)	134
Net Revenue Budget	**10,781**	**10,509**	**(272)**
Financed by:			
Demand on Collection Fund	(6,047)	(6,047)	-
Collection Fund Surplus	(112)	(99)	13
Revenue Support Grant	(384)	(384)	-
Business Rates Retention	(3,970)	(3,759)	211
Transfer to/(from) Working Balance	(268)	(220)	48
Total financing	**(10,781)**	**(10,509)**	**272**

The table above shows the budget anticipated net expenditure of £10.781 million, to be principally funded from Council Taxpayers (£6.047 million) and Business Rates / Central Government (£4.354 million).

The actual position shows that Portfolio net expenditure was £0.128 million lower than budgeted, Investment income and technical financing and other adjustments also showed a positive variation of £0.278 million. The major variation relating to a shortfall of business rates income, including distribution from the Greater Birmingham and Solihull business rates pool being some £0.345 million lower than anticipated principally in relation to an increase in the provision for appeals and losses.

The overall position, actual net expenditure and financing, resulted in a transfer from working balances of £0.220 million as compared to the budgeted figure of £0.268 million, a saving to the general fund of some £0.048 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 2018/19

Portfolio expenditure was £0.128 million lower than the budget. The **principal variances** on each portfolio are as follows, ((+) is an unfavourable variance (-) is a favourable variance):

Corporate Improvement

- Social alarms – additional residual costs of service £28,000 (+)
- Supplies and Services variations £20,000 (-)

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 £22,000 (-) and contribution to staffing costs £37,000(-)

- Off Street Parking – higher than anticipated income £30,000 (-)
- Private Sector Housing – recharge of salaries to capital £22,000 (-)
- Grounds maintenance – additional income from agency services £42,000(-)

Culture and Sport

- Parks – reduced grounds maintenance and streetcleansing cost £39,000 (-) and additional income £9,000 (-)
- Leisure management contract – Share of discretionary rate relief £39,000 (-)
- Cemeteries – higher than anticipated income £15,000(-)

Economic Development

- Development control – lower than anticipated planning fee income £168,000 (+) , inclusive of potential refund of £82,000
- Staffing variations £25,000 (+)

Housing (Housing General Fund)

- Housing services –staffing variances £23,000 (-)

Health and Wellbeing

- Taxation – net additional income from recovery of legal costs £27,000 (-)

Town Centre Regeneration

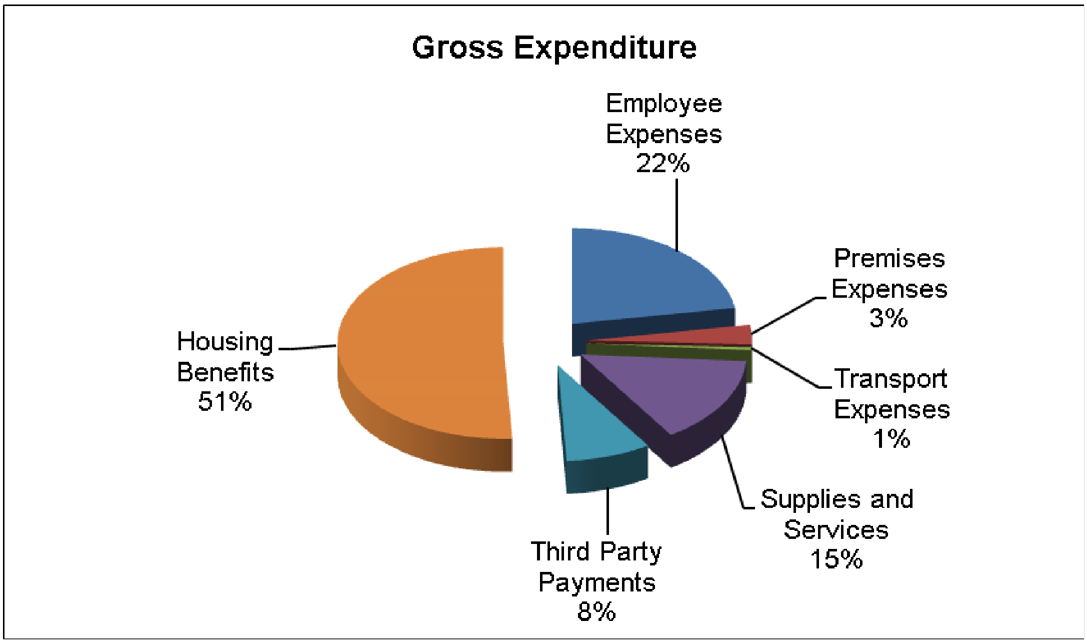
- Markets reduced income £24,000 (+) together with increased utility costs £24,000)
- Town Centre Management increased rent income £6,000 (-) together with reduced premises costs £19,000(-)

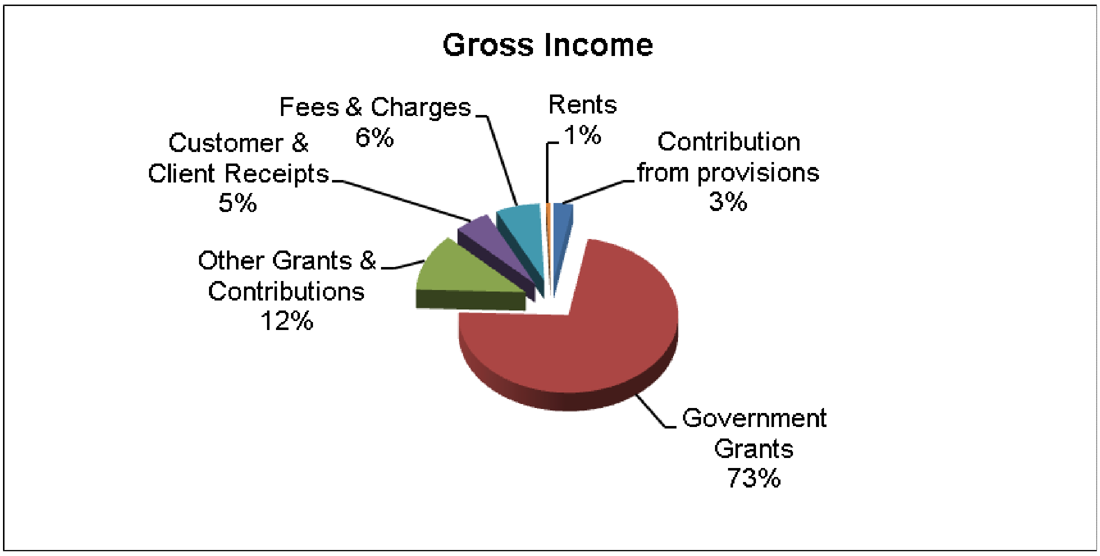
Leader of the Council

- Reduction in bad debts provision £59,000 (-)
- Corporate management – asset valuation cost £17,000 (+)

Crime & Partnerships

- Supplies and services variation - £5,000 (-)





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 £48.659 million, with the District Council's element being £6.047 million and £0.682 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, Staffordshire Commissioner Fire & Rescue Service and the Greater Birmingham and Solihull Business Rates Pool.

The net position on the Collection Fund for the year was a deficit of £0.473 million for Council Tax, however this includes the distribution of previous years surpluses (Estimated £0.695 million), leaving an in year surplus of £0.222 million .The overall surplus for Council tax, after taking account of previous years' surpluses leaves a net surplus on the fund of £1.150 million at 31 March 2019 (of which £0.154 million relates to this Council).

A deficit of £0.129 million exists in relation to Business Rates as at 31 March 2019. 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 2018 was £3.136 million and this was reduced during 2018/19 to £2.916 million at 31 March 2019. 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, for 2018/19 this amounted to £0.638 million

- 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 2018, earmarked reserves stood at £9.786 million and increased to £10.887 million at 31 March 2019.

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 2019 showed the Council's share of the fund to be a deficit of £79.438 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.

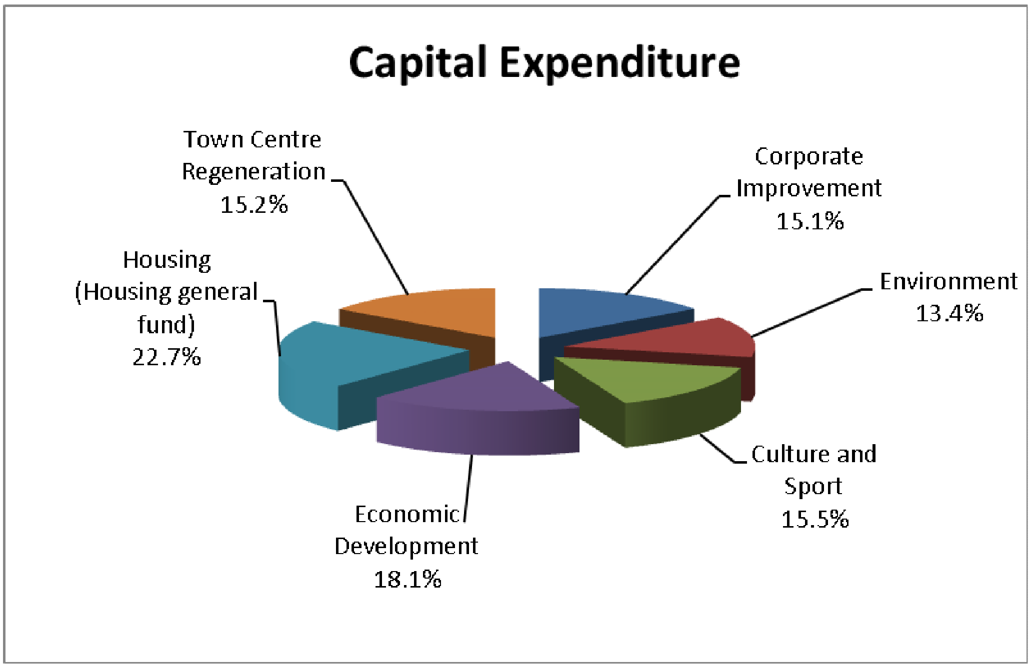
2.7 General Fund Capital Expenditure

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.

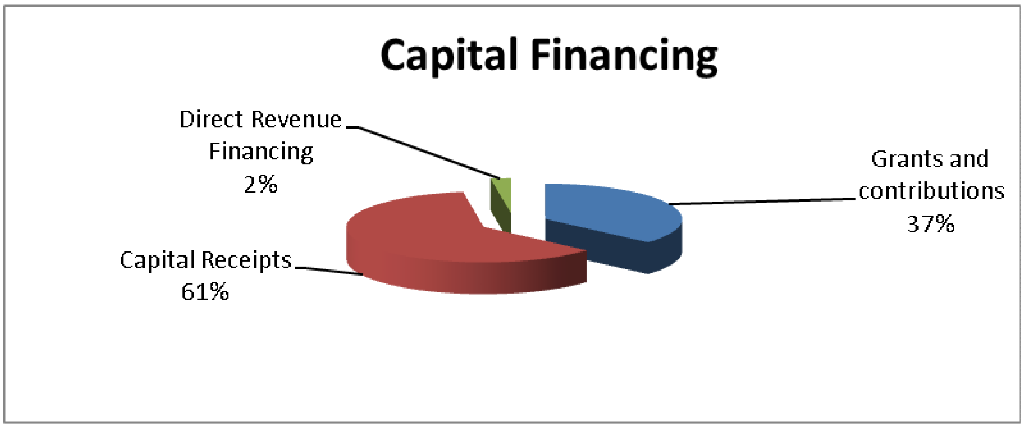
Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through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

The Council spent £2.907 million on capital projects in 2018/19, which was £0.446 million less than the budget of £3.353 million. The main reasons for the variation in 2018/19 is slippage of major capital spend to future years particularly in relation to the Disabled Facilities Grants (£0.296) million and rephasing of expenditure in relation to the car park at 5'S pavilion and the provision of alternative offices re Anson street The major items of capital expenditure in the year were:

- **£0.661 million** on Disabled Facilities Grants;
- **£0.500 million** contribution to Engineering Training Facility
- **£0.441 million** acquisition of Market shops
- **£0.372 million** on new pay and display car park Civic Centre (part completed)



The capital programme of £2.907 million was financed in the following way:



2.8 Treasury Management

During most of 2018/19 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.

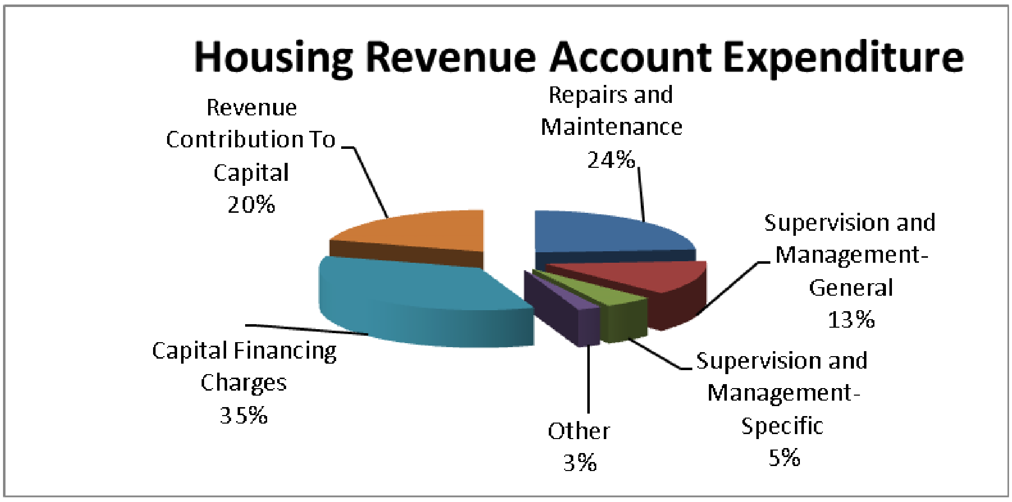
The average investment balance in 2018/19 was £26.5 million (£19.3 million in 2017/18). Interest receipts totalled £0.247 million in 2017/18, an increase of £0.137 million from £0.110 million in 2017/18.

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, 2018/19 was the third 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 £20.009 million with expenditure of £20.175 million as follows:-



The Housing Revenue Account outturn therefore required a contribution from working balances of £0.166 million a reduction of £0.042 million when compared with the revised budget which anticipated a use of working balances of £0.208 million. This variation relates primarily to savings in supervision and management, repairs and maintenance and bad debts provision offset by additional costs in relation to depreciation.

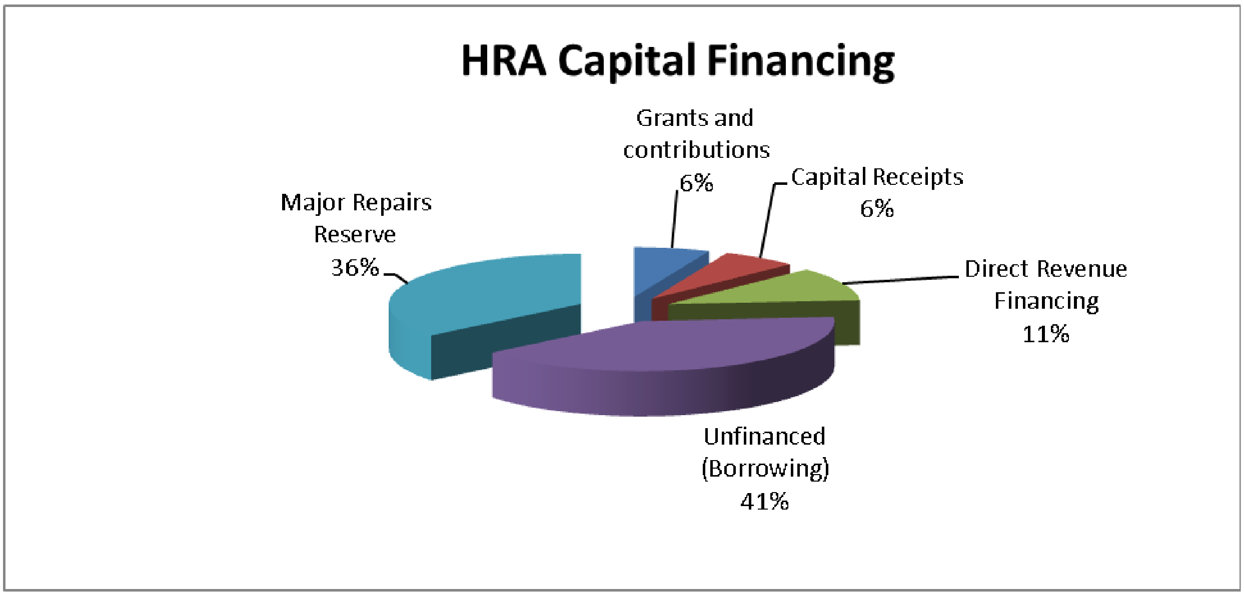
The deficit for the year resulted in Housing Working Balances reducing to £1.573 million as at 31 March 2019, slightly below the minimum balance requirement of £1.671 Million determined as part of the original budget for 2018/19.

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 2018, Housing Revenue Account earmarked reserves stood at £2.074 million and increased to £5.225 million at 31 March 2019, pending capital expenditure arising from the New Build Investment Fund

The Housing Revenue Account spent £6.349 million on capital projects in 2018/19, which was £1.333 million less than the budget of £7.682 million. The main reason in 2018/19 is slippages of major capital spend to future years particularly in relation to External Envelope Work £0.444 million, the transfer of void resources to revenue £0.344 million and Moss Road Estate new builds £0.192 million. The major items of capital expenditure in the year were:

- **£1.457 million** on former garage sites development
- **£1.267 million** on external and environmental works;
- **£1.170 million** on central heating upgrades;
- **£0.804 million** on bathroom replacements
- **£0.537 million** on upgrading electrical systems
- **£0.519 million** on council disabled facilities grants
- **£0.260 million** on replacing kitchens in council homes;
- **£0.218 million** on Moss Road Reema Flats Development;

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



3. The Council's Performance 2018-19

During 2018/19 85.7% of all milestones were completed or on track for delivery as expected. As there are no actions which have been aborted or closed, the remainder are still scheduled for delivery, albeit slightly behind the intended schedule.

	2018/19 Milestones				
					No Rating
	Milestone completed	Milestone on target	Milestone/Timeline/scope/target date requires attention.	Project aborted/ closed	No rating provided/ action not due
Promoting Prosperity	22 (64.7%)	7 (20.6%)	5 (14.7%)	0 (0%)	0 (0%)
Community Wellbeing- Health, Culture, Sport	13 (86.7%)	0 (0%)	2 (13.3%)	0 (0%)	0 (0%)
Community Wellbeing- Environment, Partnerships, Community Safety	26 (89.7%)	0 (0%)	3 (10.3%)	0 (0%)	0 (0%)
Corporate	10 (76.9%)	0 (0%)	3 (23.1%)	0 (0%)	0 (0%)
TOTAL	**71 (78%)**	**7 (7.7%)**	**13 (14.3%)**	**0 (0%)**	**0 (0%)**

It should be noted that as this is the performance of the first 12 months of a new Corporate Plan, with different reporting styles, a direct comparison to previous year's performance cannot be made.

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. Over the last 12 months, the Council has made significant progress on a number of key projects for the District.
In 2018/19 the Council successfully completed the sale of the land adjacent to Mill Green Nature reserve in Cannock. The sale of the land to McArthurGlen, Aviva Investors (on behalf of Aviva Life and Pensions), The Richardson Family and U+I. will allow the land to be developed to deliver the new £160 million McArthurGlen Designer Outlet Cannock. Development of the land started September 2018, with completion and opening of the outlet due in 2020.

Demolition of the former Rugeley Power Station site has commenced and brings with it plans to build on it an entirely new sustainable and smart community with over 2,000 homes.

We will continue to endeavour in the future to bring forward more strategic employment sites to maintain the levels of investment we have recently experienced.

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 McArthurGlen 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 May 2019, represents a £100 million investment by Network Rail.

In 2018/19 the Council has included two 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 the sale of the McArthur Glen site 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. To date £731,000 has been spent against this initiative

- Car Park Improvements (£492,000) – provision has been made for a 5 year rolling programme of major resurfacing and patching of District car parks to date £200,000 has been committed against this initiative

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 allocation has been enhanced by the transfer of the affordable housing initiative from the General Fund creating a revised investment fund of £12.929 million.

The above initiatives supplement the £10.763 million of capital investment, in relation to both General Fund and Housing Revenue Account assets, already existing in the 2019/20 capital programme. The key areas of spend are; -

General Fund

- Additional Cemetery provision £0.984 million
- Disabled facilities grants (private residents) £0.815 million
- Replacement vehicles – Grounds maintenance /Street cleansing £0.419 million

Housing Revenue Account

- Central heating upgrades £1.671 million
- External envelopes works £1.664 million
- Kitchen replacement £0.718 million
- Disabled facilities grants on council housing £0.715 million
- Upgrading electrical systems £0.575 million
- Bathroom replacement £0.386 million
- Former garage sites development 0.371 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 2018/19 to 2021/22 in February 2019, however like all other authorities a great deal of uncertainty exists post 2019/20.

The approved Budget reflected the £1.6 million of ongoing savings implemented as part of the 2017/18 Financial Recovery Plan that aimed to provide a sustainable budget by 2019/20. Although this has been achieved 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.
The Financial Plan has been based upon assumptions in relation to these key risks with a surplus of £0.011 million forecast for 2021/22. A number of caveats exist in relation to this figure and are discussed in more detail below. Nevertheless Business Rates growth / volatility remain a key risk to the authority with the 2020/21 budget underpinned by the McArthurGlen Designer Outlet Village.

The Financial risks to the Council can therefore be summarised as follows:

- 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. 2019/20 will see the Council not receiving Revenue Support Grant with Government funding streams being limited to New Homes Bonus and Business Rates. The latter will provide a minimum level of funding with our current level of income above that being at risk.
- New Homes Bonus -The council will receive £1.4 million of grant in 2019/20 and although allocations are based upon a 4 year rolling programme the actual number of new properties being built in the District continues to increase and hence if the current scheme remains the council would at worst maintain the current level of income. The Technical Consultation on the latest Local Government Settlement indicated that the government intended to amend the New Homes Bonus Scheme post 2019-20. The consultation stated that the scheme would be amended to be more

effective in incentivizing housing growth with as an example using the Housing Delivery Test results to reward delivery or incentivizing plans that meet or exceed local housing need. The Council awaits consultation on the changes and in particular how the payments of the current four year entitlement to NHB generated in a particular year (legacy payments) are to be dealt with.
Based upon both past and future uncertainty related to this funding stream and to promote sustainability the Medium Term Plan reflects an ongoing reduction in dependency on this grant by 10% per annum and future budgets only reflect the entitlement based upon existing legacy commitments.

- Business Rates Retention Scheme – 2019/20 will be the seventh and final year of the current regime for collecting National Non Domestic Rates (50% Business Rates Retention). Income in 2019/20 will be shared between central government, the Council, Staffordshire County Council, Staffordshire Commissioner Fire and Rescue Service and the Stoke on Trent and Staffordshire Business Rates Pool (the council had previously been a member of the Greater Birmingham and Solihull Business Rates Pool). This regime 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.
    - Delays in new developments

  Nevertheless the Council has seen its income from business rates, reflecting the new developments, within its area, increase year on year.

  This in itself creates a material future risk to the council. Although the Tax base for the Council will continue to grow the introduction of a revised regime based upon 75% business rates retention is planned for 2020/21.
  The actual baseline or minimum level of business rates will be reassessed based upon a fair funding review and its distribution is likely to change between the two tiers of local government in county areas.
  The biggest risk however is in relation to the planned Reset of growth achieved to date. Three potential options exist in relation to the basis of the reset, notably No Reset (All growth retained); Full Reset (No growth retained) or Partial Reset (Proportion of growth retained) with the growth not retained being redistributed across the local government sector.
  At present the level of growth retained by the Council is some £1.6 million and hence the reset methodology used together with any transitional arrangements will be a key element in determining this council's medium term financial sustainability.

  As part of its financial planning the Council also identifies its key financial in relation to its own income and expenditure to ensure they are taken into account when considering the budget. Some of the key issues facing the Council in the future are:

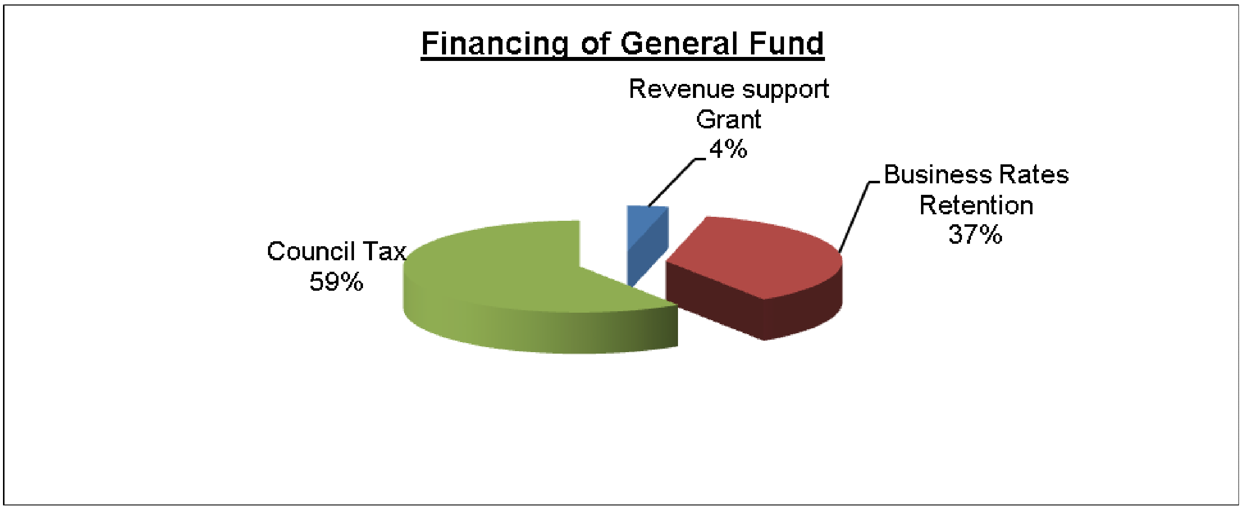
- Social Housing Rents – the government has introduced a policy whereby social rents will be reduced by 1% per annum from 2016/17 to 2019/20 and although a sustainable budget exists this required a review of the housing business plan

- Income levels – a number of main income streams are subject to demand, in particular parking, bereavement services and planning. The Council has limited means to address issues of demand however income is an area that receives particular budget monitoring attention with new or diverse forms of income being explored

- Interest rates – the on-going period of low interest rates has impacted on investment returns. Any overall decrease in rates will reduce income and vice versa. An increase or decrease in interest rates of 0.25% changes investment income by about £78,000.

- Inflationary pressures – price inflation remained at 1.9% in March and is present volatile , nevertheless provision exists as per the Bank of England's 2% target.;

- Pension's costs – although the Council's share of the liabilities in the pension fund showed an improvement in 2018/19, the Council continues to face the pressure of the rising costs of pension's provision with costs increasing by 2% per annum.



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 2018/19

The major change to the CIPFA Code of Practice on Local Authority Accounting 2018/19 was the implementation of IFRS9 Financial Instruments. This has seen a significant change to the way investments are categorised and an enhanced disclosure requirement to Note 20 is included in the Council's accounts. Due to the nature of the Council's investments although there are three different types of investment, they are all held at amortised cost.

Comprehensive Income and Expenditure Account (page 25)

- The net cost of services show an increase of £3.819 million. This principally relates to changes in capital transactions, additional voids and repair costs charged to the Housing Revenue, the increases being partly offset by additional Community Infrastructure Levy receipts. This also includes an additional past service cost in relation to the impact of court judgement cases in relations to pension liabilities. Further details are included within note 5 to the accounts.
- There is a surplus on revaluation of Property, Plant and Equipment of £13.542 million reflecting asset valuations. The General Fund element of this was £3.305 million which relates to valuation of high value DRC assets and valuation date of 31 March 2019. The Housing Revenue Account was £10.237 million reflecting full revaluation of housing stock at 31 March 2019.

- There is an actuarial loss of £4.139 million which is primarily due to changes in the discount rates used to value the pension fund assets.
- Other operating expenditure shows a large variance year on year of £5.045 million, this is primarily due to changes in gains / losses on disposal of assets with assets receipts being £5.128 million higher in 2018/19. This primarily relates to the net gain on the disposal of the Mill Green site of £4.623 million and other additional capital receipts.
- Taxation and non specific grant income show a reduction of £1.833 million, this relates to reduced capital grants and contributions from 2017/18 to 2018/19. There is reduced funding from Joint Investment Programme £1.2 million, Section 106 receipts £0.395 million and reduced Housing Revenue account grants of £0.377 million, partly offset by minor additional grants.

Balance Sheet (page 28)

- Property, Plant and Equipment have increased by £3.755 million, this is largely due to the revaluation of assets detailed above with Council dwellings increasing by £7.093 million. Other land and buildings have reduced by £1.319 million reflecting disposals and valuations with Assets under Construction reducing by £2.094 million reflecting reclassification to operational land and buildings.
- Short term investments have increased by £2.990 million reflecting year end holdings.
- Cash and cash equivalents have increased by £11.895 million which reflects the year end holdings of money market and call account funds arising from the proceeds from capital receipts, including the return of the Local Authority Mortgage Scheme Deposit.
- Provisions have increased by £0.972 million reflecting business appeals, the main areas is Hospitals
- The pension fund liability has increased from £70.638 million to £79.438 million, an increase of £8.800 million which is largely due to the changes in financial assumptions on discount, pension interest rates and the impact of court judgements in relation to overall liabilities (past service cost). These assumptions are determined by the Actuary and represent the market conditions at the reporting date.
- Usable reserves have increased overall by £10.715 million primarily reflecting the following;
  - Increase in Capital Receipts of £5.313 million. This is made up of Mill Green receipts of £6.587 million, net Right to buy receipts of £0.817 million less financing of programme £2.181 million.
  - Increase in Major Repairs reserve of £1.550 million reflecting contribution made in year less application to financing
  - Increase in Housing Revenue Account Earmarked Reserves of £3.151 million, this relates to an increased Revenue Contribution to Capital Outlay balance of £3.070 million reflecting reduced application to capital financing.
  - Reduction in General Fund working balance of £0.220 million
  - Reduction in HRA working balance of £0.166 million
  - Increase in General Fund Earmarked Reserves of £1.101 million reflecting contributions to reserves and changes in the business rates year end position of £0.314 million
  - Unusable reserves have reduced overall by £4.309 million primarily relating to changes in the Revaluation Reserve (Increase of £10.526 million), Capital Adjustment Account (Reduction of £7.402 million). Pensions reserve has ncreased by £7.027 million reflecting changes in financial assumptions discount and pension interest rates, impact of court judgements in relation to overall liabilities, plus application of the prepayment value for 2018/19 of £1.773 million. Collection fund adjustment account NNDR reduced by £0.489 million.

Cash Flow Statement (page 29)

- There is an overall increase of £11.895 million in cash and cash equivalents at the end of the reporting period, primarily due to proceeds from capital receipts £8.081 million and return of Local Authority Mortgage Scheme deposit of £2 million.

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 2019.

.... Date ....

R A Kean CPFA - Deputy Managing Director

* this certificate replaces the previous version signed on the 29 May 2019.

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 29 July 2019.

.... Date ....

Councillor P T Witton - 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.

	2017/18				2018/19	
Gross Expend Restated	**Gross Income Restated**	**Net Expend Restated**		**Gross Expend**	**Gross Income**	**Net Expend**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,883	(704)	2,179	Corporate Improvement	2,572	(646)	1,926
5,705	(2,575)	3,130	Environment	5,988	(2,168)	3,820
4,436	(558)	3,878	Culture & Sport	6,740	(614)	6,126
2,913	(1,441)	1,472	Economic Development	4,261	(3,196)	1,065
404	(140)	264	Housing General Fund	464	(184)	280
27,780	(27,182)	598	Health & Wellbeing	26,621	(26,214)	407
246	(98)	148	Town Centre Regeneration	234	(86)	148
2,519	(712)	1,807	Leader of the Council	3,174	(615)	2,559
668	(154)	514	Crime & Partnerships	549	(181)	368
47,554	(33,564)	13,990		50,603	(33,904)	16,699
18,191	(20,274)	(2,083)	Housing Revenue Account	19,036	(20,009)	(973)
65,745	(53,838)	11,907	**Cost of Services**	69,639	(53,913)	15,726
		1,269	Other operating expenditure (Note 13)			(3,776)
		4,670	Financing and investment income and expenditure (Note 14)			4,775
		(15,565)	Taxation and non-specific grant income (Note 15)			(13,732)
		2,281	**(Surplus) / Deficit on Provision of Services**			**2,993**
		(21,501)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 28)			(13,542)
		(13)	(Surplus) or deficit on revaluation of available for sale financial assets (Note 28)			-
		(2,925)	Remeasurement of the net defined benefit liability / asset (Note 28)			4,139
		(24,439)	**Other Comprehensive Income and Expenditure**			**(9,403)**
		(22,158)	**Total Comprehensive Income and Expenditure**			**(6,410)**

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 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 2018	**(3,136)**	**(1,739)**	**(9,786)**	**(2,074)**	**(3,064)**	**(883)**	**(1,695)**	**(22,377)**	**(77,562)**	**(99,939)**
Opening IFRS9 Available for sale	**-**	**-**	-	-	-	-	-	**-**	4	**4**
Movement in reserves during 2018/19										
(Surplus)/deficit on the provision of services	875	2,118	-	-	-	-	-	**2,993**	-	**2,993**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(9,403)	**(9,403)**
Total Comprehensive Income and Expenditure	**875**	**2,118**	**-**	**-**	**-**	**-**	**-**	**2,993**	**(9,403)**	**(6,410)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(1,597)	(5,262)	-	-	(5,313)	(1,550)	14	**(13,708)**	13,708	**-**
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**(722)**	**(3,144)**	**-**	**-**	**(5,313)**	**(1,550)**	**14**	**(10,715)**	**4,305**	**(6,410)**
Transfers to/from Earmarked Reserves (Note 12)	1,101	3,151	(1,101)	(3,151)	-	-	-	-	-	-
Internal recharges to HRA	(159)	159	-	-	-	-	-	-	-	**-**
(Increase)/Decrease in 2018/19	**220**	**166**	**(1,101)**	**(3,151)**	**(5,313)**	**(1,550)**	**14**	**(10,715)**	**4,305**	**(6,410)**
Balance at 31 March 2019	**(2,916)**	**(1,573)**	**(10,887)**	**(5,225)**	**(8,377)**	**(2,433)**	**(1,681)**	**(33,092)**	**(73,253)**	**(106,345)**

The Total General Fund balance at 31 March 2019 is £13.803 million, comprising a working balance of £2.916 million and earmarked reserves of £10.887 million.

The Total Housing Revenue Account balance at 31 March 2019 is £6.798 million, comprising a working balance of £1.573 million and earmarked reserves of £5.225 million.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	**Housing Revenue Account Balance**	**Earmarked General Fund Reserves**	**Earmarked Housing Revenue Reserves**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied Account**	**Total usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	Restated	**Restated**								
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£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)**
Movement in reserves during 2017/18										
(Surplus)/deficit on the provision of services	1,065	1,216	-	-	-	-	-	**2,281**	-	**2,281**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(24,439)	**(24,439)**
Total Comprehensive Income and Expenditure	**1,065**	**1,216**	**-**	**-**	**-**	**-**	**-**	**2,281**	**(24,439)**	**(22,158)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(1,665)	(904)	-	-	602	536	(276)	**(1,707)**	1,707	**-** -
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**(600)**	**312**	**-**	**-**	**602**	**536**	**(276)**	**574**	**(22,732)**	**(22,158)**
Transfers to/from Earmarked Reserves (Note 12)	59	(432)	(59)	432	-	-	-	-	-	-
Internal recharges to HRA	(161)	161	-	-	-	-	-	-	-	**-**
(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 31 March 2018 is £12.922 million, comprising a working balance of £3.136 million and earmarked reserves of £9.786 million.

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

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2019 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 2018 £000		Notes	31 March 2019 £000
242,908	Property, Plant & Equipment	16	246,663
296	Heritage Assets	17	296
1,675	Investment Properties	18	1,689
284	Intangible Assets	19	168
62	Long Term Debtors	20	57
245,225	**Long Term Assets**		**248,873**
4,515	Short Term Investments	20	7,505
93	Inventories	21	109
6,227	Short Term Debtors	22	6,313
8,206	Cash and Cash Equivalents	23	20,101
19,041	**Current Assets**		**34,028**
(325)	Short Term Borrowing	20	(325)
(7,922)	Short Term Creditors	25	(10,558)
-	Provisions	26	-
(76)	Grants Receipts in Advance-Revenue	38	(153)
(526)	Grants Receipts in Advance-Capital	38	(511)
(8,849)	**Current Liabilities**		**(11,547)**
(27)	Long Term Creditors	20	(24)
(81,605)	Long Term Borrowing	52	(81,605)
(2,266)	Provisions	26	(3,238)
(50)	Other Long Term Liabilities	51	(30)
(70,638)	Pensions	44	(79,438)
(892)	Finance Lease	41	(674)
(155,478)	**Long Term Liabilities**		**(165,009)**
99,939	**Net Assets**		**106,345**
(22,377)	Usable Reserves	27	(33,092)
(77,562)	Unusable Reserve	28	(73,253)
(99,939)	**Total Reserves**		**(106,345)**

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.

2017/18 £000		2018/19 £000
2,281	Net (surplus) or deficit on the provision of services	**2,993**
(11,333)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 29)	**(24,214)**
4,560	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 29)	**9,535**
(4,492)	Net cash flows from Operating Activities	**(11,686)**
5,502	Investing Activities (Note 30)	**2,055**
3,358	Financing Activities (Note 31)	**(2,264)**
4,368	Net (increase) / decrease in cash and cash equivalents	**(11,895)**
12,574	Cash and cash equivalents at the beginning of the reporting period	**8,206**
8,206	**Cash and cash equivalents at the end of the reporting period (Note 23)**	**20,101**

NOTES TO THE ACCOUNTS

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19, 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 £2,000. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments or payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 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.

v 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.

vi 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.

vii 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.

viii 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 held 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 based on the business model for holding the assets and based on the make up of the cashflows. There are three main classes of financial asset measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those who contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the 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 (CIES) for interest receivable are based on the carrying value of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. The Council has also extended lifetime losses to lease receivables.

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

ix 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.

x 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).

xi Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

xii Interests in Companies and Other Entities

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

xiii Inventories and Long Term Contracts

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

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

xiv Investment 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.

xv Leases

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

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

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

The Council as Lessee:

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (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.

xvi 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 Housing Revenue Account (HRA) includes all recharges from support services as this is the basis on which this is reported.

xvii Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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 deminimus 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.

xviii Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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 with 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 that there will be an inflow of economic benefits or service potential.

ix Reserves

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

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

xx Revenue Expenditure Funded from Capital under Statute

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

xxi VAT

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

xxii Debt Redemption

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

xxiii Interest Charges

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

xxiv 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.

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

xxv Fair Value Measurement

The Council measures some of its non-financials assets such as surplus assets and investment properties and it's 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 date 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 2019/20 Code. The Code also requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

New standards introduced in the Code that apply from 1 April 2019 are:

- IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Feature with Negative Compensation

These changes are not expected to have a material impact on the Council's 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.

- **Capital Receipt Mill Green**
  The Council has sold a piece of land for which it is receiving the income in stage payments according to the contract. For 2018/19 a capital debtor of £3.4m has been included as it is determined that it is due as part of the sale although will not be physically received until the 2019/20 financial year.

- **Money Market Funds (IFRS9)**
  With the introduction of the new financial instrument standard this has required the review and reclassification of financial assets. In relation to Money Market Funds the Council has determined that these should be held at amortised cost as the Council only invest in Low Volatility Net Asset Funds (LNAV). The Council considers the difference between the fair value and the amortised cost is immaterial due to the fund managers adhering to strict low volatility investment criterion that means the NAV is not expected to fluctuate.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge would increase by £644,000 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 44 to the accounts.
Sundry debt arrears	At 31 March 2019 the Council's balance of sundry debts was £3.965m. A review of significant balances suggested that an impairment of doubtful debts of 78.2% was appropriate (£3.101m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate by 1% an additional £40,000 would need to be set aside as allowance.
Council tax arrears	At 31 March 2019 the Council's share of the council tax debtors included in the Council's accounts was £859,000. A review of significant balances suggested that an impairment of doubtful debts of 77.5% (£666,000) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £9,000 to set aside as an allowance.
Business rate arrears	At 31 March 2019 the Council's share of the business rates debtors included in the Council's accounts was £492,000. A review of significant balances suggested that an impairment of doubtful debts of 74.5% (£367,000) 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 £5,000 to set aside as an allowance.
Business rates appeals	At 31 March 2019 the Council's share of the business rates appeals included in the Council's accounts was £3,045,000.	If there was an increase of 1% in the appeals percentages this would require an additional £538,000 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 2019 future rental income is based on the current rents receivable.	For every 1% reduction in the rental receivable this would reduce the income by £1,000 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 2018/19 are as follows:

There has been an increase in the net cost of services of £2.963 million. This is primarily due to the following;

	£000	£000
General Fund:		
Additional contribution to Pension Fund	181	
Pensions Current Service Cost	(232)	
Capital Charges	2,846	
Off street parking car park refurbishment	120	
Cemeteries additional income	(45)	
Waste contract & gate fees	209	
Cannock Chase SAC & S106 receipts	(441)	
CIL receipts	(1,191)	
Works on multi storey car park	202	
Development control reduced income	281	
Building Control reduced income	(60)	
Pensions interest re prepayment 17/18	(313)	
Residual cost re Social Alarms transfer	141	
District Elections	97	
Reduction in Bad Debts provision	(86)	
Past service cost	856	
Leisure Contract	62	
Housing Benefit Admin Grant	32	
Other Movements	50	2,709
Housing Revenue Account:		
Additional contribution to Pension Fund	76	
Pensions Current Service Cost	(83)	
Capital Charges	(24)	
Additional voids and repairs	688	
One off provision 17/18	171	
Reduced dwelling income	225	
Other Movements	57	1,110
		3,819

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 Statement.

2017/2018 Net Expend Chargeable to the General Fund	2017/2018 Ear-marked Reserves	2017/2018 Adjust's between the Funding and Accounting Basis	2017/2018 Internal Recharge	2017/2018 Net Expend in the CIES		2018/2019 Net Expend Chargeable to the General Fund	2018/2019 Ear-marked Reserves	2018/2019 Adjust's between the Funding and Accounting Basis	2018/2019 Internal Recharge	2018/2019 Net Expend in the CIES
			Restated	Restated						
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,746	(10)	414	29	2,179	Corporate Improvement	1,969	(74)	6	25	1,926
2,375	(300)	257	798	3,130	Environment	2,555	102	322	841	3,820
2,914	(58)	1,653	(631)	3,878	Culture & Sport	3,040	(142)	3,882	(654)	6,126
1,165	(150)	472	(15)	1,472	Economic Development	1,372	(1,641)	1,344	(10)	1,065
345	(101)	15	5	264	Housing	351	(81)	11	(1)	280
613	(169)	158	(4)	598	Health & Wellbeing	809	(513)	130	(19)	407
46	-	118	(16)	148	Town Centre Regeneration	98	-	66	(16)	148
1,093	(74)	788	-	1,807	Leader of the Council	1,196	(25)	1,388	-	2,559
374	128	17	(5)	514	Crime & Partnerships	360	4	11	(7)	368
10,671	(734)	3,892	161	13,990		11,750	(2,370)	7,160	159	16,699
(2,934)	(4,242)	5,254	(161)	(2,083)	Housing Revenue Account	(3,657)	(3,845)	6,688	(159)	(973)
7,737	(4,976)	9,146	-	11,907	**Net Cost of Services**	8,093	(6,215)	13,848	-	15,726
(8,398)	5,349	(6,577)	-	(9,626)	Other Income and Expenditure	(7,707)	1,963	(6,989)	-	(12,733)
(661)	**373**	**2,569**	**-**	**2,281**	**(Surplus)/Deficit on Provision of Services**	**386**	**(4,252)**	**6,859**	**-**	**2,993**
(4,214)	(12,233)				Opening General Fund & HRA Balance Balance	(4,875)	(11,860)			
(661)	373				Less/Plus Surplus or Deficit on General Fund & HRA Balance in year	386	(4,252)			
(4,875)	**(11,860)**				**Closing General Fund & HRA Balance at 31 March 2019 ***	**(4,489)**	**(16,112)**			

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement
The changes to the 2017/18 accounts only relate to the elimination of internal recharges.

7. Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018/19

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	14	(11)	3	6	-	6
Environment	264	77	(2)	339	(17)	322
Culture & Sport	3,867	22	-	3,889	(7)	3,882
Economic Development	1,181	52	2	1,235	109	1,344
Housing	-	12	(1)	11	-	11
Health & Wellbeing	11	87	11	109	21	130
Town Centre Regeneration	67	4	4	75	(9)	66
Leader of the Council	680	647	(6)	1,321	67	1,388
Crime & Partnerships	-	10	1	11	-	11
Sub Total	6,084	900	12	6,996	164	7,160
Housing Revenue Account	9,818	116	(2)	9,932	(3,244)	6,688
Net Cost of Services	**15,902**	**1,016**	**10**	**16,928**	**(3,080)**	**13,848**
Other income and expenditure from the Expenditure and Funding Analysis	(12,328)	1,872	387	(10,069)	3,080	(6,989)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	**3,574**	**2,888**	**397**	**6,859**	**-**	**6,859**

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 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.

- The Council's reportable segments are based on the portfolios of the Council as structured by members and service departments.

8. Segmental Income

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

2017/18 £000		2018/19 £000
693	Corporate Improvement	646
2,580	Environment	2,159
558	Culture & Sport	598
1,503	Economic Development	3,260
34	Housing	27
2,403	Health & Wellbeing	2,267
533	Town Centre Regeneration	525
698	Leader of the Council	587
154	Crime & Partnerships	182
9,156	**Sub Total**	10,251
20,274	Housing Revenue Account	20,009
29,430	**Total income analysed on a segmental basis**	**30,260**

9. Expenditure and Income Analysed by Nature

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

2017/18 £000		2018/19 £000
	Expenditure	
16,144	Employee benefits expenses	16,944
36,731	Other services expenses	36,947
13,313	Depreciation, amortisation, impairment	16,121
4,884	Interest payments	5,150
654	Precepts and levies	688
615	Gain / loss on the disposal of assets	(4,464)
-	Gain / Loss on non current deferred receipts	-
72,341	**Total Expenditure**	**71,386**
	Income	
(29,430)	Fees, charges and other service income	(30,260)
(110)	Interest and investment income	(178)
(10,511)	Income from council tax and non-domestic rates	(10,807)
(30,009)	Government grants and contributions	(27,148)
(70,060)	**Total Income**	**(68,393)**
2,281	**Surplus or Deficit on the Provision of Services**	**2,993**

10. Revenue from Contracts with Service Recipients

The Council exposure to this area is only in relation to a limited number of areas. These are:

a) Planning fees
b) Land charges fees
c) Building control

These amounts occur due to timings from receipt of monies to processing of application. There are no contract assets or liabilities held for either 2017/18 or 2018/19.

Amounts included in the Comprehensive income and Expenditure Statement for contracts with service recipients:

2017/18 £000		2018/19 £000
-	Revenue from contracts with service recipients	106
-	**Total Included in Comprehensive Income and Expenditure Statement**	**106**

Amounts included in the Balance Sheet for contracts with service recipients:

2017/18 £000		2018/19 £000
-	Receivables, which are included within debtors (note 22)	106
-	**Total Included in Net Assets**	**106**

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

31 March 2018 £000		31 March 2019 £000
-	Not later than one year	106
-	Later than one year	-
-	**Amounts of transaction price, partially or fully unsatisfied**	**106**

11. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Account recognised by the Council in 2018/19 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.

2018/19	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 Unusable Reserves £000
	Usable Reserves						
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:							
o Pension costs (transferred to / (or from) the Pensions Reserve)	(2,771)	(117)	-	-	-	(2,888)	2,888
o Council Tax and NDR (transfer to / (or from) Collection Fund)	(387)	-	-	-	-	(387)	387
o Holiday pay (transferred to the Accumulated Absences Reserve)	(12)	2	-	-	-	(10)	10
o 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	(7,188)	(10,502)	-	-	(327)	(18,017)	18,017
Total Adjustments to the Revenue Resources	**(10,358)**	**(10,617)**	**-**	**-**	**(327)**	**(21,302)**	**21,302**
Adjustments between Revenue and Capital Resources							
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,670	1,411	(8,081)	-	-	-	-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(35)	35	-	-	-	-
o Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	(557)	557	-	-	-	-
o Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,823	-	(3,823)	-	-	-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,021	20	-	-	-	2,041	(2,041)
o Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	70	693	-	-	-	763	(763)
Total Adjustments between Revenue and Capital Resources	**8,761**	**5,355**	**(7,489)**	**(3,823)**	**-**	**2,804**	**(2,804)**
Adjustments to Capital Resources							
o Use of Capital Receipts Reserve to finance capital expenditure	-	-	2,181	-	-	2,181	(2,181)
o Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,273	-	2,273	(2,273)
o Application of capital grants to finance capital expenditure	-	-	-	-	341	341	(341)
o Cash payments in relation to deferred capital receipts	-	-	(5)	-	-	(5)	5
Total Adjustments to Capital Resources	**-**	**-**	**2,176**	**2,273**	**341**	**4,790**	**(4,790)**
Total Adjustments	**(1,597)**	**(5,262)**	**(5,313)**	**(1,550)**	**14**	**(13,708)**	**13,708**

2017/18	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 Unusable Reserves £000
	Usable Reserves						
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:							
o Pension costs (transferred to / (or from) the Pensions Reserve)	(2,433)	(196)	-	-	-	(2,629)	2,629
o Council Tax and NDR (transfer to / (or from) Collection Fund)	807	-	-	-	-	807	(807)
o Holiday pay (transferred to the Accumulated Absences Reserve)	20	(7)	-	-	-	13	(13)
o 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)	12,153
Total Adjustments to the Revenue Resources	**(2,542)**	**(10,635)**	**-**	**-**	**(785)**	**(13,962)**	**13,962**
Adjustments between Revenue and Capital Resources							
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	211	1,062	(1,273)	-	-	-	-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(37)	37	-	-	-	-
o Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	(509)	509	-	-	-	-
o Posting of HRA resources from revenue to the Major Repairs Reserve	-	2,976	-	(2,976)	-	-	-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	593	1,565	-	-	-	2,158	(2,158)
o 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							
o Use of Capital Receipts Reserve to finance capital expenditure	-	-	1,329	-	-	1,329	(1,329)
o Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,512	-	3,512	(3,512)
o Application of capital grants to finance capital expenditure	-	-	-	-	509	509	(509)
o 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**

12. 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 2018/19.

	Balance at 31 March 2017 £000	Transfer out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfer out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Revenue							
General Fund							
General	4,813	(2,298)	2,027	4,542	(931)	1,515	5,126
Section 106	1,130	(386)	812	1,556	(662)	2,357	3,251
Commuted Sums	215	-	-	215	(15)	-	200
Grants	4	(16)	266	254	(71)	400	583
Business Rates Reserve	446	(446)	-	-	-	52	52
New Homes Bonus	-	-	-	-	-	101	101
Sub Total	**6,608**	**(3,146)**	**3,105**	**6,567**	**(1,679)**	**4,425**	**9,313**
RCCO	3,119	(56)	-	3,063	(1,645)	-	1,418
Capital	-	-	156	156	-	-	156
Sub Total	**3,119**	**(56)**	**156**	**3,219**	**(1,645)**	**-**	**1,574**
General Fund Sub Total	**9,727**	**(3,202)**	**3,261**	**9,786**	**(3,324)**	**4,425**	**10,887**
HRA							
Housing	1,239	(113)	542	1,668	-	82	1,750
RCCO	1,267	(4,674)	3,813	406	(3,295)	6,364	3,475
HRA Sub Total	**2,506**	**(4,787)**	**4,355**	**2,074**	**(3,295)**	**6,446**	**5,225**
Total Revenue Reserves	**12,233**	**(7,989)**	**7,616**	**11,860**	**(6,619)**	**10,871**	**16,112**

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 2018/19. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

13. Other Operating Expenditure

2017/18 £000		2018/19 £000
647	Parish council precepts	682
106	(Gains)/Losses on the disposal of non-current assets:	(5,022)
7	Levies	7
509	Pooling of Capital Receipts	557
1,269	**Total**	**(3,776)**

14. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
3,371	Interest Payable & Similar Charges	3,278
(2,586)	Net interest on the net defined benefit liability (asset)	(2,748)
4,416	Remeasurements of the net defined benefit liability/(asset)	4,620
(428)	Interest Receivable and similar income	(178)
-	Income and Expenditure in relation to investment properties and changes in their fair value	(14)
(121)	Income and Expenditure in relation to investment properties	(111)
18	(Gain) / loss on trading accounts (Note 33)	2
-	Expected credit loss allowance	(74)
4,670	**Total**	**4,775**

15. Taxation and Non Specific Grant Incomes

2017/18 £000		2018/19 £000
(3,287)	Capital grants and contributions	(1,454)
(6,521)	Precepts on the Collection Fund	(6,754)
(776)	Revenue Support Grant	(384)
(3,990)	Non domestic rates	(4,053)
(991)	Non ring-fenced government grants	(1,087)
(15,565)	**Total**	**(13,732)**

16. Property, Plant and Equipment

Movements on Balances

Movements in 2018/19	**Council Dwellings £000**	**Other Land & Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Leased Plant & Equipment £000**	**Infrastructure £000**	**Community Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**
Cost or Valuation								
o At 1 April 2018	176,686	65,492	2,007	1,313	-	319	4,036	249,853
o Additions	6,348	765	567			-	404	8,084
o Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,273	662	-	-	-	-	-	7,935
o Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,014)	(2,795)	-	-	-	-	-	(8,809)
o Derecognition - disposals	(1,004)	(1,964)	-	-	-	-	-	(2,968)
o Derecognition - other	(74)	-	-	-	-	-	-	(74)
o Assets reclassified (to)/from Held For Sale	-	-	-	-	-	-	-	-
o Other movements in cost or valuation	(3,710)	1,543	(802)	-	105	-	(2,498)	(5,362)
at 31 March 2019	**179,505**	**63,703**	**1,772**	**1,313**	**105**	**319**	**1,942**	**248,659**
Accumulated Depreciation and Impairment								
o at 1 April 2018	(4,560)	(1,107)	(1,072)	(206)	-	-	-	(6,945)
o Depreciation charge	(2,548)	(2,894)	(375)	(222)	-	-	-	(6,039)
o Depreciation written out to the	2,243	3,364	-	-	-	-	-	5,607
Revaluation Reserve	-	-						
o Depreciation written out to the	-		-	-	-	-	-	-
Surplus/Deficit on the Provision of Services								-
o Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
o Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
o Derecognition - disposals	14	-	-	-	-	-	-	14
o Derecognition - other	5	-	-	-	-	-	-	5
o Other movements in depreciation and impairment	4,560	-	802	-	-	-	-	5,362
at 31 March 2019	**(286)**	**(637)**	**(645)**	**(428)**	**-**	**-**	**-**	**(1,996)**
Net Book Value								
at 31 March 2019	**179,219**	**63,066**	**1,127**	**885**	**105**	**319**	**1,942**	**246,663**
at 31 March 2018	**172,126**	**64,385**	**935**	**1,107**	**-**	**319**	**4,036**	**242,908**

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

Depreciation

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

- Council Dwellings - 75 years
- Other Land and Buildings - 65 years
- Vehicles - 5 years
- Equipment - 5 years
- Infrastructure Assets - 25 years

Capital Commitments

At 31 March 2019 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £1,193,000. Similar commitments as at 31 March 2018 were £1,993,000. The major commitment is for improvements to existing houses £809,000 and new housing stock £219,000.

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 Council.

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 £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Leased Plant & Equipment £000	Infrastructure £000	Community Assets £000	Assets under construction £000	Total Property, plant and Equipment £000
Carried at historical cost	-	-	1,127	885	105	319	1,942	4,378
valued at fair value as at:								
31 March 2015	-	4,977	-	-	-	-	-	4,977
31 March 2016	-	1,822	-	-	-	-	-	1,822
31 March 2017	-	1,950	-	-	-	-	-	1,950
31 March 2018	-	3,199	-	-	-	-	-	3,199
31 March 2019	179,219	51,118	-	-	-	-	-	230,337
Total Cost or Valuation	**179,219**	**63,066**	**1,127**	**885**	**105**	**319**	**1,942**	**246,663**

17. 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 2018/19 or 2017/18.

18. 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.

2017/18 £000		2018/19 £000
121	Rental Income from Investment Property	111
121	**Net Gain / (loss)**	**111**

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:

2017/18 £000		2018/19 £000
1,675	Balance at start of the year	1,675
-	Net gains/losses from fair value adjustments	14
1,675	**Balance at end of year**	**1,689**

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 2017/18.

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.

19. 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:

2017/18 Total £000		2018/19 Total £000
	Balance at start of year:	
578	Gross carrying amounts	578
(179)	Accumulated amortisation	(294)
399	**Net carrying amount at start of year**	**284**
	Additions:	
-	Purchases	-
(115)	Amortisation for the period	(116)
284	**Net carrying amount at end of year**	**168**
	Comprising:	
578	Gross carrying amounts	578
(294)	Accumulated amortisation	(410)
284		**168**

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

Carrying Amount 31 March 2018 £000		Carrying Amount 31 March 2019 £000
	Remaining Amortisation Period	
12	1 Year	47
95	2 Years	95
142	3 Years	26
35	4 Years	-
-	5 Years	-
284		**168**

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.

20. Financial Instruments

Categories of Financial Instruments

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

	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	Non-current				Current				Total	Total
Financial Assets	Investments		Debtors		Investments		Debtors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost:										
Short Term Investments	-	-	-	-	2,505	7,505	-	-	**2,505**	**7,505**
Cash & Cash Equivalents	-	-	-	-	8,206	20,101	-	-	**8,206**	**20,101**
Long Term Debtors	-	-	62	57	-	-	-	-	**62**	**57**
Trade Debtors	-	-	-	-	-	-	4,016	4,591	**4,016**	**4,591**
Available for Sale	-	-	-	-	2,010	-	-	-	**2,010**	**-**
Total financial assets	**-**	**-**	**62**	**57**	**12,721**	**27,606**	**4,016**	**4,591**	**16,799**	**32,254**
Non-financial assets	-	-	-	-	-	-	2,211	1,722	**2,211**	**1,722**
Total	**-**	**-**	**62**	**57**	**12,721**	**27,606**	**6,227**	**6,313**	**19,010**	**33,976**

	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	Non-current				Current				Total	Total
Financial Liabilities	Borrowings		Creditors		Borrowings		Creditors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Trade Creditors	-	-	-	-	-	-	4,125	4,456	**4,125**	**4,456**
Finance Lease	-	-	892	674	-	-	213	-	**1,105**	**674**
Long Term Creditors	-	-	27	24	-	-	-	-	**27**	**24**
Borrowing Accrued Interest	-	-	-	-	325	325	-	-	**325**	**325**
Long Term Borrowing	81,605	81,605	-	-	-	-	-	-	**81,605**	**81,605**
Total financial liabilities	**81,605**	**81,605**	**919**	**698**	**325**	**325**	**4,338**	**4,456**	**87,187**	**87,084**
Non-financial liabilities	-	-	-	-	-	-	3,584	6,102	3,584	6,102
Total	**81,605**	**81,605**	**919**	**698**	**325**	**325**	**7,922**	**10,558**	**90,771**	**93,186**

Reclassifications

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required:

New Classifications at 1 April 2018	**Carrying £000**	**Amortised £000**
Previous classifications		
Loans and receivables	17,000	17,000
Available for sale	2,010	2,010
Reclassified amounts 1 April 2018	**19,010**	**19,010**

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the balance sheet:

	Amort-ised Cost £000	**Non-Financial Instru-ment Balances £000**	**Total Balance Sheet Carrying Amount £000**
Remeasured Carrying Amounts at 1 April 2018	**16,799**	**-**	**16,799**
Reclassified Amounts:			
Long Term Debtors	62	-	62
Current Investments	12,721	-	12,721
Current debtors	4,016	2,211	6,227
Total	**16,799**	**2,211**	**19,010**

The following judgement was made in reclassifying financial instruments at 1 April 2018.

Available for sale (Certificates of Deposit)

Although the available for sale assets should be through fair value, these relate to short term certificates of deposit which matured during 2018/19 and had a difference of interest accrued of £4,000 in the available for sale reserve which was not considered material.

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		2018/19	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Interest Revenue:				
Financial assets measured at amortised cost	(110)	-	(175)	-
Total interest Revenue	**(110)**	**-**	**(175)**	**-**
Interest Expense	**3,338**	**-**	**3,249**	**-**
(Surplus) / deficit arising on revaluation of financial assets in Other comprehensive Income	**-**	**(13)**		
Net (gain)/loss for the year	**3,228**	**(13)**	**3,074**	**-**

Changes in the Valuation Technique

There has been no change in the 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)

All of the Council's financial assets and liabilities have been classified as and are held 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 at amortised cost 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, the Council has used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future at todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy is to use new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	Financial Liabilities	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
81,930	112,350	PWLB Debt	81,930	113,995
4,125	4,125	Short Term Creditors	4,456	4,456
27	27	Long Term Creditors	24	24
892	892	Other Long Term Liabilities - Finance Leases	674	674
86,974	**117,394**	**Total Financial Liabilities**	**87,084**	**119,149**

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 31 March 2019. This shows a notional loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above market rates.

The fair value of Public Works Loan Boards of £113.995m 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 31 March 2019. The difference between the carrying amount and the fair value measures the additional interest that the Council 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 £140.962m.

31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	Financial Assets	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
2,505	2,505	Fixed Term Deposits	7,505	7,505
8,206	8,206	Cash & Cash Equivalents	20,101	20,101
62	62	Long Term Debtors	57	57
4,016	4,016	Short Term Debtors	4,591	4,591
14,789	**14,789**	**Total Financial Assets**	**32,254**	**32,254**

There is no difference in the fair value of the assets held at year end as the interest rates available at 31 March 2019 are comparable with the investment return.

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

21. 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 2019 the balance of stocks held was £109,000, an increase of £16,000 from the previous financial year.

22. Debtors

Short Term Debtors

31 March Restated 2018 £000		31 March 2019 £000
1,337	Central Government	870
4,016	Trade Debtors	4,591
298	Pre Payments	311
206	Local taxation - Council Tax	193
185	Local taxation - NNDR	126
185	Other Receivables	222
6,227		**6,313**

The balances detailed above are net of impairment allowances. The amount of impairment allowance per category is set out below:

31 March 2018 Restated £000		31 March 2019 £000
(851)	Trade receivables	(718)
(618)	Local taxation - Council Tax	(666)
(496)	Local taxation - NNDR	(366)
(3,257)	Other receivable amounts	(3,236)
(5,222)		**(4,986)**

The balances below set out the debtors for Local Taxation gross of any impairment allowance.

Debtors for Local Taxation - Council Tax

31 March 2018 £000		31 March 2019 £000
48	Less than three months	58
97	Three to six months	145
147	Six months to one year	128
532	More than one year	528
824		**859**

Debtors for Local Taxation - NNDR

31 March 2018 £000		31 March 2019 £000
110	Less than three months	58
86	Three to six months	105
124	Six months to one year	34
361	More than one year	295
681		**492**

23. Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
	Current Assets	
7,403	Cash equivalents held by the Council	19,517
801	Bank current accounts	582
2	Cash held by the Council	2
8,206	**Total Cash and Cash Equivalents**	**20,101**

24. Assets Held For Sale

There are no assets held for sale as at 31 March 2019 (31 March 2018 £nil).

25. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
1,372	Central Government	3,684
890	Local taxation - Council Tax	757
1,243	Local taxation - NNDR	1,341
4,336	Trade payables	4,456
81	Other payables	320
7,922		**10,558**

26. Provisions

(i) Current Liabilities

There are no short term provisions as at 31 March 2019 (2018 £nil).

(ii) Long Term Liabilities

	Insurance	Business Rates Appeals	Total
	£000	£000	£000
Balance at 1 April 2018	**185**	**2,081**	**2,266**
Additional provisions	50	1,057	**1,107**
Amounts used in 2018/19	(42)	(93)	**(135)**
Balance at 31 March 2019	**193**	**3,045**	**3,238**

The balance at 31 March 2019 of £3,045 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.

27. Usable Reserves

31 March 2018 £000		31 March 2019 £000
(3,136)	General Fund Balance	(2,916)
(1,739)	HRA Balance	(1,573)
	Earmarked Reserves:	
(9,786)	General Fund	(10,887)
(2,074)	Housing Revenue Account	(5,225)
(3,064)	Capital Receipts Reserve	(8,377)
(1,695)	Capital Grants Unapplied	(1,681)
(883)	Housing Revenue Account - Major Repairs Reserve	(2,433)
(22,377)	**Total Usable Reserves**	**(33,092)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 11 and 12.

28. Unusable Reserves

31 March 2018 £000		31 March 2019 £000
(69,557)	Revaluation Reserve	(80,083)
(4)	Available for Sale Financial Instruments Reserve	-
(81,974)	Capital Adjustment Account	(74,572)
74,446	Pensions Reserve	81,473
(62)	Deferred Capital Receipts Reserve	(57)
(489)	Collection Fund Adjustment Account	(102)
78	Accumulated Absences Account	88
(77,562)	**Total Unusable Reserves**	**(73,253)**

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.

	2017/18 £000			2018/19 £000
	(49,831)	**Balance at 1 April**		**(69,557)**
(24,741)		Upward revaluation of assets	(18,750)	
3,240		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,208	
	(21,501)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(13,542)
1,775		Difference between fair value depreciation and historical cost depreciation	2,002	
-		Accumulated gains on assets sold or scrapped	1,014	
	1,775	Amount written off to the Capital Adjustment Account		3,016
	(69,557)	**Balance at 31 March**		**(80,083)**

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

	2017/18 £000			2018/19 £000
	9	**Balance at 1 April**		**(4)**
(4)		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	4	
(9)		Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	
	(13)			4
	(4)	**Balance at 31 March**		**-**

The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and the balance has been written off to the investment held in the balance sheet as it was redeemed during 2018/19.

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

	2017/18 £000			2018/19 £000
	(80,097)	**Balance at 1 April**		**(81,974)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
12,243		Charges for depreciation and impairment of non-current assets	14,848	
115		Amortisation of Intangible Assets	116	
955		Revenue Expenditure Funded from Capital Under Statute	1,171	
1,342		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	3,023	
-		Fair Value of Investment Property	(14)	
	14,655			19,144
	(1,775)	Adjusting amounts written out of the Revaluation Reserve		(3,016)
	(67,217)	Net written out amount of the cost of non-current assets consumed in the year		(65,846)
		Capital financing applied in the year:		
(1,329)		Use of the Capital Receipts Reserve to finance new capital expenditure	(2,181)	
(3,512)		Use of the Major Repairs Reserve to finance new capital expenditure	(2,273)	
(2,502)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,127)	
(509)		Application of grants to capital financing from the Capital Grants Unapplied Account	(341)	
(2,158)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(541)	
-		Voluntary set aside	(1,500)	
(4,747)		Capital expenditure charged against the General Fund and HRA balances	(763)	
	(14,757)			(8,726)
	(81,974)	**Balance at 31 March**		**(74,572)**

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.

2017/18 £000		2018/19 £000
74,742	**Balance at 1 April**	**74,446**
(2,925)	Remeasurements of the net defined benefit liability/(asset)	4,139
5,967	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	6,820
(3,338)	Employers pensions contributions and direct payments to pensioners payable in the year	(3,932)
74,446	**Balance at 31 March**	**81,473**

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.

2017/18 £000		2018/19 £000
(62)	**Balance at 1 April**	**(62)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
-	Transfer to the Capital Receipts Reserve upon receipt of cash	5
(62)	**Balance at 31 March**	**(57)**

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.

2017/18 £000		2018/19 £000
318	**Balance at 1 April**	**(489)**
(99)	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	73
(708)	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	314
(489)	**Balance at 31 March**	**(102)**

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.

	2017/18 £000			2018/19 £000
	91	**Balance at 1 April**		**78**
(91)		Settlement or cancellation of accrual made at the end of the preceding year	(78)	
78		Amounts accrued at the end of the current year	88	
	(13)	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		10
	78	**Balance at 31 March**		**88**

29. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(450)	Interest received	(237)
3,417	Interest paid	3,277

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

2017/18 £000		2018/19 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(4,984)	Depreciation	(6,039)
(7,259)	Impairment and downward valuations	(8,809)
(115)	Amortisation	(116)
254	Increase / (decrease) in impairments for bad debts	236
(110)	Increase / (decrease) in Creditors	(223)
390	Increase / (decrease) in Debtors	(636)
(9)	Increase / (decrease) in Stock	16
1,179	Movement in pension liability	(4,661)
(1,342)	Carrying amount of non-current assets sold or derecognised	(3,023)
-	Movement in investment property value	-
663	Other non-cash items charged to the net surplus or deficit on the provision of services	(959)
(11,333)		**(24,214)**

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

2017/18 £000		2018/19 £000
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
3,287	Capital grants credited to Surplus / Deficit on the Comprehensive Income and Expenditure Statement	1,454
1,273	Proceeds from the sales of Plant, Property and Equipment, Investment Property and Intangible Assets	8,081
4,560		**9,535**

30. Cash flow Statement - Investing Activities

2017/18 £000		2018/19 £000
11,493	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	8,113
64,576	Purchase of short-term and long-term investments	73,000
184	Capital Grant Repayments	-
(1,273)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(8,086)
(66,852)	Proceeds from short-term and long-term investments	(70,000)
(2,626)	Capital grants and income from discounts	(972)
5,502	**Net cash flows from investing activities**	**2,055**

31. Cash flow Statement - Financing Activities

2017/18 £000		2018/19 £000
4	Cash payments for the reduction of the outstanding liabilities relating to finance leases	216
2,609	Repayment of short and long term borrowing	20
745	Billing authority - Council Tax and NNDR adjustments	(2,500)
3,358	**Net cash flows from financing activities**	**(2,264)**

Reconciliation of Liabilities Arising from Financing Activities

			Non-cash changes		
	1 April 2018 £000	**Financing cash flows £000**	**Acquisition £000**	**Other non cash changes £000**	**31 March 2019 £000**
Long term borrowings	81,655	(20)	-	-	81,635
Short term borrowings	-	-	-	-	-
Lease liabilities	1,132	(216)	-	-	916
Total liabilities from financing activities	**82,787**	**(236)**	**-**	**-**	**82,551**

			Non-cash changes		
	1 April 2017 £000	**Financing cash flows £000**	**Acquisition £000**	**Other non cash changes £000**	**31 March 2018 £000**
Long term borrowings	81,664	(9)	-	-	81,655
Short term borrowings	2,971	(2,600)	-	(371)	-
Lease liabilities	31	(4)	1,105	-	1,132
Total liabilities from financing activities	**84,666**	**(2,613)**	**1,105**	**(371)**	**82,787**

32. Acquired and Discontinued Operations

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

33. Trading Operations

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

2017/18 Expend £000	2017/18 Income £000	2017/18 Net £000		2018/19 Expend £000	2018/19 Income £000	2018/19 Net £000
			General Fund			
3	(103)	(100)	Industrial Sites	3	(123)	(120)
131	-	131	Property Services Markets	122	-	122
128	(154)	(26)	Market Hall Cannock	141	(154)	(13)
11	(29)	(18)	POW Market	13	(24)	(11)
-	(4)	(4)	Rugeley Outside Market	-	(4)	(4)
36	(32)	4	Rugeley Market Hall	43	(18)	25
1	(51)	(50)	Rugeley Market Shops	3	(52)	(49)
10	(52)	(42)	Cannock Market Shops	46	(85)	(39)
320	**(425)**	**(105)**	**Total Trading (Surplus) / Deficit**	**371**	**(460)**	**(89)**

34. Agency Services

There were no agency services in 2018/19.

35. Members Allowances

Members allowances paid during 2018/19 totalled £372,708.89 (2017/18 £353,912.85). Further details are available on the Council's website.

36. Officers Remuneration

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

Senior Officers emoluments 2018/19 - salary is between £50,000 and £150,000 per year

Post Title		**Salary, Fees and Allowances £**	**Benefits in Kind £**	**Pension Contribution £**	**Total £**
Managing Director		103,874	963	17,888	122,725
Deputy Managing Director		84,673	963	14,822	100,458
Head of Environment & Healthy Lifestyles		66,559	963	11,664	79,186
Head of Economic Prosperity	(i)	37,602	556	6,524	44,682
Head of Governance & Corporate Services		66,348	963	11,758	79,069
Head of Housing & Partnerships		66,348	963	11,658	78,969
		425,404	**5,371**	**74,314**	**505,089**

(i) The post Head of Economic Development became vacant on 13 October 2017. The post was filled on 3 September 2018 and was renamed Head of Economic Prosperity. In the intervening period this was covered by a senior officer within the Council.

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 Authority**
Deputy Managing Director	Cannock Chase District Council	Stafford Borough Council
Head of Governance & Corporate Services	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 Authority**
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 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**

There are no other employees within the Council receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) in 2018/19 or 2017/18.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out 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**	
	2017/18	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18 £000**	**2018/19 £000**
£0 - £20,000	3	2	1	2	4	4	51	10
£20,001 - £40,000	1	2	-	-	1	2	39	57
£40,001 - £60,000	2	1	-	-	2	1	102	45
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001+	-	-	-	-	-	-	-	-
TOTAL	**6**	**5**	**1**	**2**	**7**	**7**	**192**	**112**

37. External Audit Costs

The auditors for 2018/19 financial year were appointed by the PSAA (Public Sector Audit Appointments).
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:

2017/18 £000		2018/19 £000
52	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	40
13	Fees payable to the Grant Thornton for the certification of grant claims and returns for the year	15
(7)	Rebate from the Audit Commission during the year	-
58	**Total**	**55**

38. Grant Income & Precepts on the Collection Fund

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000	**Credited to Taxation and Non Specific Grant Income**	2018/19 £000
776	Revenue Support Grant	384
6,521	Precepts On The Collection Fund	6,754
3,990	NNDR	4,053
975	New Homes Bonus	1,032
16	Other general grants	55
2,515	Capital Grants-General Fund	1,059
772	Capital Grants-HRA	395
15,565	**Total**	**13,732**
	Credited to Services	
13,138	Rent Allowances	13,018
10,832	Housing Benefit Subsidy	10,164
320	Housing Benefit Admin Grant	296
131	Cost Of Collection Allowance	133
120	DCLG Local Council Tax Scheme Grant	113
86	Discretionary Housing Payments	112
16	New Burdens Property Searches	-
106	Homelessness Prevention Grants	25
-	Flexible Homelessness Support Grant	132
152	Local Taxation (Grant Fund)	111
13	Elections	10
41	Other grants	109
24,955	**Total**	**24,223**
-	**Amounts not Reported to Management for Decision Making**	-
24,955		**24,223**

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**

2017/18 £000		2018/19 £000
	Revenue Grants Receipts in Advance	
3	Commuted Sums	-
73	Section 106 Developers Revenue Contributions	153
76	**Total**	**153**
	Capital Grants Receipts in Advance	
526	Section 106 Developers Capital Contributions	511
526	**Total**	**511**

The Council does not hold a donated assets account.

39. 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 38 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 2018/19 is shown in Note 35. Details of Members' interests are recorded in the Register of Members' Interest maintained by the Council. During 2018/19 there were no significant works and services commissioned from companies in which members had an interest.

Officers
During 2018/19 a payment of £500,000 was approved by Cabinet in November 2018 to South Staffordshire College to allow for the purchase of state of the art engineering equipment in the new Cannock Chase Engineering Academy (CCEA). At 31 March 2019 the Managing Director is a Governor for South Staffordshire College, having been appointed in February 2019.

Other Public Bodies (subject to common control by central government)
There are no transactions with other public bodies in 2018/19 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 £1.173 million for Stafford Borough Council hosted services and received £2.270 million for services hosted at Cannock.

40. 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.

2017/18 £000		2018/19 £000
95,769	**Opening Capital Financing Requirement**	**94,924**
	Capital Investment	
12,957	Property, Plant and Equipment	8,084
-	Intangible Assets	-
955	Revenue Expenditure Funded from Capital under Statute	1,171
	Sources of finance	
(1,329)	Capital receipts	(4,181)
(3,011)	Government grants and other contributions	(1,468)
(3,512)	Major Repairs Reserve	(2,273)
	Sums set aside from revenue:	
(4,747)	Direct revenue contributions	(763)
(1,941)	Minimum Revenue Provision (MRP)	(309)
-	Voluntary revenue provision	(1,500)
(9)	Walsall Debt Repayment	(20)
(208)	Finance Lease Payment	(212)
94,924	**Closing Capital Financing Requirement**	**93,453**
	Explanation of movements in year	
	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	
(1,565)	HRA	2,551
(593)	General Fund	(4,022)
1,313	Assets acquired under finance leases	-
(845)	**Increase/(decrease) in Capital Financing Requirement**	**(1,471)**

The capital receipts figure in the table above includes the £2million deposit in relation to the Local Authority Mortgage Scheme which closed during 2018/19. A liability remains with the Council for a number of years and is now detailed in note 45 Contingent Liabilities.

41. 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 2018 £000		31 March 2019 £000
213	Current Finance lease Liabilities	218
892	Non Current	674
78	Finance costs payable in future years	52
1,183	**Minimum Lease Payments**	**944**

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

	Minimum lease Payments		Finance Lease Liabilities	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Not later than one year	239	239	213	218
Later than one year not later than five years	944	705	892	674
Later than five years	-	-	-	-
Minimum Lease Payments	**1,183**	**944**	**1,105**	**892**

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:

2017/18 £000		2018/19 £000
230	Not later then one year	218
864	Later than one year and not later than five years	861
11,842	Later than five years	11,627
12,936		**12,706**

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

2017/18 £000		2018/19 £000
230	Minimum Lease Payments	218
230		**218**

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

Council as Lessor

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

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

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

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

31 March 2018 £000		31 March 2019 £000
511	Not later than one year	619
1,451	Later than one year and not later than five years	1,755
40,873	Later than five years	40,546
42,835		**42,920**

42. Impairment Losses

During 2018/19 2 bungalows were demolished as part of a project to increase car parking spaces at the Civic Centre. The impairment value charged to Comprehensive Income & Expenditure Account was £126,000 (2017/18 £nil).

43. Termination Benefits

The Council terminated the contracts of 7 employees in 2018/19 incurring liabilities of £112,000 (£192,000 in 2017/18). See Note 36 for the number of exit packages and total cost per band. All of these costs relate to redundancy.

44. 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 (SCC) 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 SCC. 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 Note 1 (accounting policies).

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 is 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.

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement	
	Service Cost	
4,036	Current service cost	4,024
101	Past service cost (including curtailments)	924
4,137	**Total Service Cost**	4,948
	Financing and Investment Income and Expenditure	
(2,586)	Interest income on scheme assets	(2,748)
4,416	Interest cost on defined benefit obligation	4,620
1,830	**Total Net Interest**	1,872
5,967	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**6,820**
	Remeasurements of the Net Defined Liability Comprising:	
204	Return on plan assets excluding amounts included in net interest	(5,786)
-	actuarial (gains) / losses arising from changes in demographic assumptions	-
(3,049)	actuarial (gains) / losses arising on changes in financial assumptions	9,751
(80)	Other	174
(2,925)	**Total remeasurements recognised in other comprehensive income**	**4,139**
3,042	**Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**10,959**
	Movement in Reserves Statement	
(5,967)	reversal of net charges made to the (surplus) or deficit on the provision of Services	(6,820)
3,338	**Employers Contributions Payable to the Scheme**	3,932

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:

2017/18 £000		2018/19 £000
(107,128)	Fair value of employer assets	(112,940)
172,084	Present value of funded liabilities	186,626
5,682	Present value of unfunded liabilities	5,752
70,638	**Net Liability arising from the Defined Benefit Obligation**	**79,438**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2017/18 £000		2018/19 £000
	102,305	**Opening fair value of scheme assets**	**107,128**
	2,586	Interest income	2,748
		Remeasurement gain/(loss)	
	(204)	Return on plan assets excluding the amounts included in net interest	5,786
*	7,146	Contributions from employer	2,159
	634	Contributions from employees into the scheme	654
	(5,339)	Benefits paid	(5,535)
	107,128	**Closing Fair Value of Scheme Assets**	**112,940**

* 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	(79,438)
Pension Reserve	81,473
	2,035

The amount relates to the pension prepayment for 2019/20.

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

2017/18 £000		2018/19 £000
177,047	**Opening fair value of scheme liabilities**	**177,766**
4,036	Current service cost	4,024
4,416	Interest cost	4,620
634	Contributions from scheme participants	654
	Remeasurement (gains)/losses:	
-	Actuarial (gains)/losses arising from changes in demographic assumptions	-
(3,049)	Actuarial (gains)/losses arising from changes in financial assumptions	9,751
(80)	Other	174
101	Past service cost	924
(5,339)	Benefits paid	(5,535)
177,766	**Closing Fair Value of Scheme Liabilities**	**192,378**

Local Government Pension Scheme Assets comprised:

	Period Ended 31 March 2018				Period Ended 31 March 2019			
	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	5,042	-	5,042	4%	5,143	-	5,143	4%
Manufacturing	4,320	-	4,320	4%	4,048	-	4,048	4%
Energy and utilities	1,810	-	1,810	2%	1,676	-	1,676	1%
Financial Institutions	4,177	-	4,177	3%	4,088	-	4,088	4%
Health and Care	3,241	-	3,241	3%	3,713	-	3,713	3%
Information Technology	3,220	-	3,220	3%	3,160	-	3,160	3%
Other	107	-	107	0%	105	-	105	0%
		-				-		
Debt Securities								
Corporate Bonds investment grade	8,384	-	8,384	7%	8,780	-	8,780	8%
Private Equity								
All	-	4,043	4,043	4%	-	4,037	4,037	3%
Real Estate								
UK Property	-	9,601	9,601	8%	-	10,399	10,399	9%
Investment Funds and Unit Trusts								
Equities	50,837	-	50,837	45%	50,140	-	50,140	44%
Bonds	8,546	-	8,546	8%	8,677	-	8,677	8%
Hedge Funds	-	1,973	1,973	2%	-	2,079	2,079	2%
Other	-	4,547	4,547	4%	-	4,474	4,474	4%
Cash and Cash Equivalents								
All	**3,092**	**-**	**3,092**	3%	**3,575**	**-**	**3,575**	3%
Total Assets	**92,776**	**20,164**	**112,940**	**100%**	**93,105**	**20,989**	**114,094**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent 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 SCC 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:

2017/18		2018/19
	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**	2.5%
2.8%	**Rate of increase in salaries**	2.9%
2.4%	**Rate of increase in pensions**	2.5%
2.6%	**Rate for discounting scheme liabilities**	2.4%

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 2017/18.

Change in Assumptions at 31 March 2019	**Approximate % Increase to Employee Liability**	**Approximate Monetary Value**
	%	**£000**
0.5% decrease in real discount rate	9%	17,672
0.5% increase in the salary increase rate	1%	2,400
0.5% increase in the pension increase rate	8%	14,984

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. SCC 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 £1,760,000 expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for the funding scheme members is 16.8 years in 2018/19. This can be analysed further as follows:

	2018/19	
	Liability Split %	**Weighted Average Duration Yrs**
Active Members	44.7	22.6
Deferred Members	14.0	22.8
Pensioner Members	41.3	11.9
Total	**100.0**	**16.8**

45. 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 the 31 March 2019 that a solvent run off of the Company's business cannot be guaranteed.

Local Authority Mortgage Scheme

The Council advanced in 2013/14 £2m with Lloyds Banking Group as part of the Local Authority Mortgage Scheme. This scheme was 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 has now been returned but the liability against default will remain until at least 5 years after the date each mortgage completed.

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. At 31 March 2019 there are 24 of the original completed loans remaining with an estimated indemnity amount of £556,163. 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 2019.

46. Contingent Assets

There are no contingent assets at 31 March 2019.

47. Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks.

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 customers.

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 Annual Investment Strategy for 2018/19 was approved by Full Council on 7 February 2018 and is available on the Council's website.

Credit Risk Management Practices

The Council`s credit risk management practices are set out in the Annual Investment Strategy. The key elements are:

- It requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standards & Poors Credit Rating Services.
- sets out 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 Link Asset Services. 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

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.

Due to the nature of the financial assets held by the Council it is considered that the credit risk is low. Set out below is the key overview of financial assets held, an assessment of their credit risk and methodology for calculation of credit loss:

Long Term Debtors
These relate to loans which are a charge on property therefore no credit losses are calculated or defaults and write offs have taken place.

Investments
This category includes Money Market Funds, Fixed Term deposits and Cash held at bank. Recent experience has shown that it is rare for such entities to be unable to meet there commitments. To date there has been no default or write off in relation to this category of financial asset.

Previously loss allowances were not calculated for these instruments. However going forward there will be a calculation for expected credit losses are based on a 12 month expected credit loss based on historical experience of default.

Short Term Debtors
The short term debtors are split into two elements being non financial assets and financial assets. The non financial assets relate to transactions with the Government, Local authorities and statutory debt. For transactions with government and local authorities no loss allowance is calculated on these elements. For statutory debt loss allowance is calculated based on historic experience which has remained unchanged.

The financial assets primarily relate to sundry debtors and capital payments due. The criteria in relation to these assets are set out below:

- The Council's definition of default is that the counterparty has failed to make the payment and all enforcement action has been unsuccessful

- Debts are written off by the Council where the debt is greater than 6 years old, or where all enforcement has been unsuccessful. Debts below £1,000 are authorised by the Head of Finance and above that value by Council.

- In determining the expected credit losses this is based on experience of default and uncollectability over the last five years based on a lifetime expected credit loss model. There has been no material impact of adopting a forward looking model or changes in the estimation technique.

Amounts Arising from Expected Credit Losses

The Council's investments have been assessed and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31 March 2019 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

	Lowest Long Term Rating	Principal Balance at 31 March 2019 £000	Historical Experience of Default £000	Estimated maximum exposure to default and uncollectability at 31 March 2019 £000
Deposits with Banks and Financial Institutions				
Deutsche MMF *	AAA	5,500	0.000%	-
Aberdeen Standard Investments MMF *	AAA	6,000	0.000%	-
Federated Investors (UK) MMF *	AAA	6,000	0.000%	-
Bank of Scotland Plc (RFB)	A+	2,000	0.001%	-
Santander UK Plc	A	3,500	0.014%	-
Bank of Scotland Plc (RFB)	A+	1,000	0.019%	-
Bank of Scotland Plc (RFB)	A+	3,000	0.025%	1
Total		**27,000**		**1**

* Money Market Fund

The historic rates of default are from 2009-2018 for Fitch, Moody's and Standard and Poors.

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 and bonds.

In relation to Expected Credit Losses for debtors, the Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment.

Trade debtors are based on lifetime expected credit losses. The trade debtors expected credit losses have been calculated based on debt type and recovery stage of debt. The expected credit loss is approximately £88,000.

Collateral and Other Credit Enhancements

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 £27m 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 of financial liabilities is as follows:

31 March 2018 £000		31 March 2019 £000
538	Less than one year	543
218	Between one and two years	223
674	Between two and five years	451
81,605	More than five years	81,605
83,035		**82,822**

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
- 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 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 department 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	(311)
Impact on Surplus or Deficit on the Provision of Services	**(311)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**-**
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)	**(21,287)**

The fair values for fixed assets have been calculated at carrying value as the instruments are held for less than 1 year and the difference in rates is not material.

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

Price Risk

The Council has not invested in any equity shares and therefore has no exposure to price risk.

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.

48. 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 2019.

49. 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.

50. Trust Funds

The Council as at 31 March 2019 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.

2018/19	**Income £**	**Expenditure £**	**Assets £**	**Liabilities £**
Benton's Trust	(46)	-	(9,190)	-
Total	**(46)**	**-**	**(9,190)**	**-**

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

51. 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 2019 of £30,742 (£50,276 as at 31 March 2018).

2017/18 £000		2018/19 £000
12	Principal and Interest - OLA's	22
12		**22**

52. Long Term Borrowing

Balance 31 March 2018 £000		Ranges Of Interest Rates Payable %	Balance 31 March 2019 £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 2018 £000		Balance 31 March 2019 £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**

53. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Managing Director on 29 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

54. Prior Period Adjustment - Restatement of 2017/18 Comprehensive Income and Expenditure Statement

The Council is required to eliminate internal recharges from the Comprehensive Income and Expenditure Statement. There are no changes to the overall service expenditure or income but has necessitated a restatement of the following statements for 2017/18.

a) Comprehensive Income and Expenditure Account
b) Note 6 Expenditure and Funding Analysis
c) Movement in Reserves
d) Housing Revenue Account

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.

	2017/2018		
	Expenditure £000	**Income £000**	**Net £000**
Corporate Improvement	(1,059)	1,088	29
Environment	(935)	1,733	798
Culture & Sport	(697)	66	(631)
Economic Development	(109)	94	(15)
Housing General Fund	(89)	94	5
Health & Wellbeing	(19)	15	(4)
Town Centre Regeneration	(16)	-	(16)
Leader of the Council	(907)	907	-
Crime & Partnerships	(30)	25	(5)
	(3,861)	4,022	161
Housing Revenue Account	(5,640)	5,479	(161)
Cost of Services	**(9,501)**	**9,501**	**-**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2017/18 Restated £000		Notes	2018/19 £000
	Income		
19,507	Dwelling rents (gross)		19,282
361	Non-dwelling rents (gross)		354
89	Charges for Service & Facilities		138
317	Contributions towards Expenditure		235
20,274			**20,009**
	Expenditure		
4,221	Repairs and Maintenance		4,815
2,449	Supervision and Management-General		2,708
952	Supervision and Management-Specific		979
4	Rents, rates, taxes and other charges		14
49	Increased provision for bad or doubtful debts		-
9,862	Depreciation and Impairment of non current assets	4	9,838
17,537	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.**		**18,354**
654	HRA share of Corporate and Democratic Core		682
(2,083)	**Net Cost of HRA Services**		**(973)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
317	(Gain) / Loss on sale of HRA non current assets		(316)
509	Pooling of Capital Receipts		557
3,245	Interest payable and similar charges		3,230
-	Expected Credit Loss Allowance		15
(772)	Capital Grants and Contributions Receivable		(395)
1,216	**(Surplus) / Deficit for the year on HRA Services**		**2,118**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2017/18 £000		2018/19 £000
1,216	**HRA Income and Expenditure (Surplus) / Deficit**	**2,118**
(317)	Gain / (Loss) on sale of HRA Non current assets	316
(509)	Pooling of Capital Receipts	(557)
772	Reversal of Capital Grants & Contributions receivable	395
(432)	Transfer to Reserves	3,151
(9,862)	Reversal of Depreciation / Impairment Charge	(9,838)
2,976	Transfer to / from Major Repairs Reserve	3,823
1,565	HRA Principal	20
(196)	Pension Adjustment	(116)
(7)	Holiday Pay Adjustment	2
4,674	Capital Expenditure funded by the HRA	693
161	General Fund Recharges	159
41	**(Surplus) / Deficit for the year on HRA Services**	**166**
1,780	**Balance Brought Forward**	**1,739**
1,739	**Balance Carried Forward**	**1,573**

The Housing revenue account has been restated to eliminate internal recharges from the General Fund

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 2019 the Council was responsible for 5,146 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2018	Increase/ Decrease	Stock as at 31 March 2019
Flats			
1 Bedroom	809	(1)	808
2 Bedroom	242	-	242
3 Bedroom	5	-	5
4 Bedroom	1	-	1
Total	**1,057**	**(1)**	**1,056**
Houses & Bungalows			
1 Bedroom	1,280	(1)	1,279
2 Bedroom	1,206	11	1,217
3 Bedroom	1,547	(16)	1,531
4+ Bedroom	64	(1)	63
Total	**4,097**	**(7)**	**4,090**
Total HRA Dwellings	**5,154**	**(8)**	**5,146**

(ii) Valuation of Housing Property, Plant & Equipment

Net Book Value 31 March 2018 £000		Net Book Value 31 March 2019 £000
172,126	Council Dwellings	179,219
9,821	Other Land & Buildings	9,561
439	Vehicles, Plant & Equipment	252
2,382	Assets under construction	1,532
249	Intangibles	142
185,017		**190,706**

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2018 was £423,165,950 and as at 31 March 2019 was £441,256,350. 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 31 March 2019 were £0.773 million (31 March 2018 £0.859 million).

2017/18 £000		2018/19 £000
290	Tenants Arrears - Current	227
569	Tenants Arrears - Former	546
859	**Total Arrears**	**773**

The provision for bad debts as at 31 March 2019 is £0.630 million (31 March 2018 £0.696m).

4. Depreciation and Impairment Charges

(i) Depreciation

2017/18 £000		2018/19 £000
2,450	Dwellings	2,548
213	Other Operational Assets	981
206	Vehicles	187
107	Intangible Assets	107
2,976		**3,823**

(ii) Impairment Charges

2017/18 £000		2018/19 £000
6,886	Impairment	6,015 *
6,886		**6,015**

* This figure is included within the Revaluation decrease figure of (£8,809) shown in note 16.

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

2017/18 £000		2018/19 £000
	Expenditure	
10,028	On Housing Properties	6,349
11	On Housing Equipment	-
10,039		**6,349**
	Financing	
-	Borrowing	2,571
991	Usable Capital Receipts	405
4,674	Revenue Contributions to Capital	693
3,512	Major Repairs Reserve	2,273
862	Grants and other contributions	407
10,039		**6,349**
-	**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 2018	883
Transfer to Major Repairs Reserve	3,823
Financing of Capital spend	(2,273)
Balance at 31 March 2019	**2,433**

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, Staffordshire Commissioner Fire & Rescue Service, (formerly 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.

2017/18			**2018/19**	
Total		**Business Rates**	**Council Tax**	**Total**
£000		**£000**	**£000**	**£000**
	Income			
46,108	Council Tax Receivable	-	49,428	49,428
30,469	Business Rates Receivable	33,561	-	33,561
76,577	**Total Income**	**33,561**	**49,428**	**82,989**
	Expenditure			
	Precepts and Demands			
34,207	Staffordshire County Council	2,844	34,375	37,219
17,784	Cannock Chase District Council	12,639	6,046	18,685
647	Parishes	-	682	682
2,273	Staffordshire Commissioner Fire & Rescue Service	316	2,088	2,404
4,995	Office of the Police and Crime Commissioner Staffordshire	-	5,468	5,468
15,031	Payments to Central Government	15,798	-	15,798
74,937		**31,597**	**48,659**	**80,256**
	Charges to Collection Fund			
388	Write offs of uncollectable amounts	446	99	545
218	Increase / (reduction) in bad debts provision	(324)	448	124
-	Interest	-	-	-
905	Transitional Protection Payments Payable	381	-	381
(1,113)	Increase / (reduction) in provision for appeals	2,410	-	2,410
131	Costs of Collection	133	-	133
(1,384)	Distribution of previous years Collection Fund Surplus / (Deficit)	(298)	695	397
74,082	**Total Expenditure**	**34,345**	**49,901**	**84,246**
(2,495)	**(Surplus)/Deficit for Year**	**784**	**473**	**1,257**
	Movement of Collection Fund Balances			
217	**Balance brought Forward**	**(655)**	**(1,623)**	**(2,278)**
(2,495)	Add (Surplus)/Deficit for the Year	**784**	**473**	**1,257**
(2,278)	**Balance Carried Forward**	**129**	**(1,150)**	**(1,021)**

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 2018/19

Band		Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A	Disabled	44.98	5/9	24.99
A		11,989.76	6/9	7,993.17
B		12,244.26	7/9	9,523.31
C		7,355.26	8/9	6,538.01
D		4,646.84	1	4,646.84
E		1,655.51	11/9	2,023.40
F		591.25	13/9	854.03
G		249.75	15/9	416.25
H		9.25	2	18.50
		38,786.86		32,038.50
	Other Adjustments and Discounts			(3,641.74)
				28,396.76

The actual tax base for 2018/2019 was 28,845.71 an increase of 448.95 (1.6%)

2. Council Tax Chargeable for a Band D Property

2017/18 Council Tax £		2018/19 Precept £000	2018/19 Council Tax £
1,142.54	Staffordshire County Council	34,375	1,210.52
208.87	Cannock Chase District Council	6,047	212.94
23.47	Parish Council (Average)	681	24.00
181.16	Office of the Police and Crime Commissioner - Staffordshire	5,468	192.56
71.56	Staffordshire Commissioner Fire & Rescue Service	2,088	73.53
1,627.60	**Total**	**48,659**	**1,713.55**

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 2018/19 was 49.3p (2017/18 47.9p).

The total non-domestic rateable value at 31 March 2019 was £83.927 million (£82.226 million at 31 March 2018).

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 2019. 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 2018 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2019 £000
(228)	Cannock Chase District Council	73	(155)
(1,143)	Staffordshire County Council	341	(802)
(182)	Office of the Police and Crime Commissioner - Staffordshire	37	(145)
(70)	Staffordshire Commissioner Fire & Rescue Service	22	(48)
(1,623)		**473**	**(1,150)**

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

Fund Balance 31 March 2018 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2019 £000
(262)	Cannock Chase District Council	313	51
(59)	Staffordshire County Council	71	12
(327)	Central Government	392	65
(7)	Staffordshire Commissioner Fire & Rescue Service	8	1
(655)		**784**	**129**

The deficit for the year includes a distribution of the estimated deficit of £0.298 million as at 15 January 2018 position.

5. Precepts and Demands on the Collection Fund

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

2017/18		2018/19		
Precept/ Demand for year £000	Council Tax	Precept/ Demand for Year £000	Plus Share of Surplus £000	Total Paid in year £000
5,775	Cannock Chase District Council	6,046	99	6,145
647	Parishes	682	-	682
31,578	Staffordshire County Council	34,375	487	34,862
5,008	Office of the Police and Crime Commissioner - Staffordshire	5,468	78	5,546
				-
1,978	Staffordshire Commissioner Fire & Rescue Service	2,088	31	2,119
44,986		**48,659**	**695**	**49,354**

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:

2017/18 Precept/ Demand for Year £000	Business Rates	2018/19 Precept/ Demand for Year £000
12,025	Cannock Chase District Council (40%)	12,639
2,705	Staffordshire County Council (9%)	2,844
15,031	Central Government (50%)	15,798
300	Staffordshire Commissioner Fire & Rescue Service (1%)	316
30,061		**31,597**

The precept demand for the year includes the recovery of the deficit recorded in NNDR1 of £0.298 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 2019 the estimated value of appeals provision against Rateable Value amounts to £7.612 million. The provision is split into two periods covering 1 April 2010 to 31 March 2017 £4.905 million for the 2010 List and a period covering 1 April 2017 to 31 March 2019 £2.707 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 2019.

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 the 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 the 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 funding is provided from the revenue account to support capital expenditure.

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.

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.

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ITEM NO. 7.1

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. 29/07/2019 and Council 04/09/2019

AUDIT & GOVERNANCE COMMITTEE

29 JULY 2019

ANNUAL TREASURY MANAGEMENT REPORT 2018/19

1 Purpose of Report

1.1 To update members on treasury management activity and performance during the 2018/19 financial year.

2 Recommendations

2.1 To note the annual treasury management report for 2018/19;

2.2 To approve the actual 2018/19 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 2018/19 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 2018/19. 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 2018/19 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year (minimum) treasury update report
- 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 The submission of the above reports to the Audit and Governance Committee, to give prior scrutiny before they were reported to the full Council, ensures that this Council complies with the codes requirement. Training has been undertaken by members of the Audit and Governance Committee and further training will be arranged as required.

The Council's Capital Expenditure and Financing

5.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

5.6 The actual capital expenditure forms one of the required prudential indicators. This is detailed in the appendix.

The Council's Overall Borrowing Need

5.7 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

5.8 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2018/19. The table in the appendix highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

5.9 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table in the appendix demonstrates that during 2018/19 the Council has maintained gross borrowing within its authorised limit.

5.10 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

5.11 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Treasury Position as at 31 March 2019

5.12 At the beginning and the end of 2018/19 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

TABLE 1	31 March 2018 Principal £'000	Rate/ Return	Average Life (yrs.)	31 March 2019 Principal £'000	Rate/ Return	Average Life (yrs.)
Total debt (PWLB)	81,605	3.89%	36.68	81,605	3.89%	36.49
CFR	94,924			93,453		
Over / (under) borrowing	(13,319)			(11,848)		
Total investments	11,900	0.52%	0.27	27,000	0.66%	0.13
Short term borrowing	0			0		
Net investments	11,900			27,000		
Net debt	69,705			54,605		

5.12.1 The table below sets out the maturity profile of the external debt held by the Council.

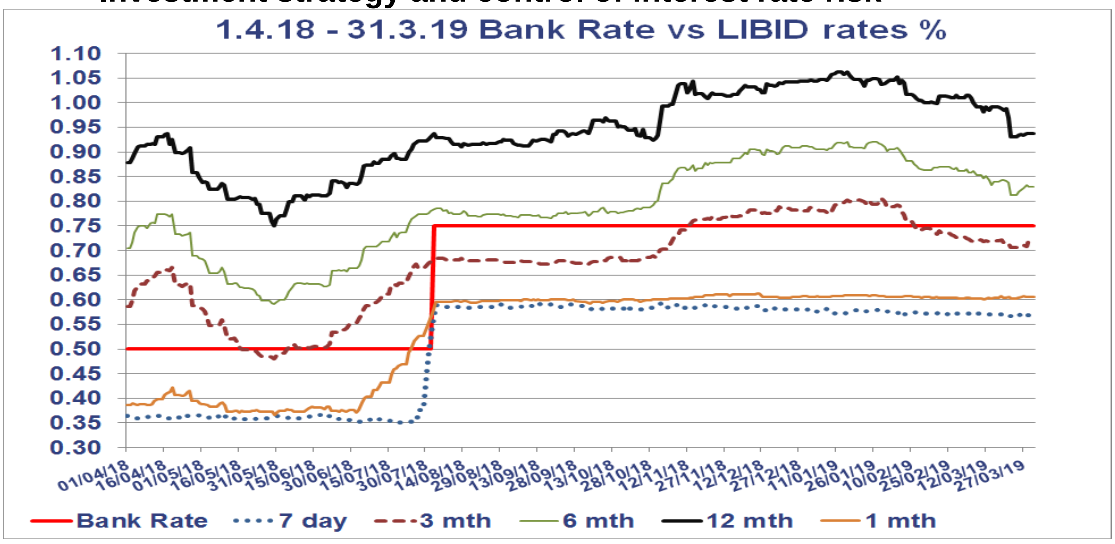
Debt Maturity Profile	31 March 2018 Actual	2018/19 original limits	31 March 2019 (actual
	£m	£m	£m
Under 12 months	0	0	0
12 months and within 24 months	0	0	0
24 months and within 5 years	0	0	0
5 years and within 10 years	4.4	4.4	4.4
10 years and within 20 years	12.60	12.60	12.60
20 years and within 30 years	0	0	0
30 years and within 40 years	5.36	5.36	5.36
40 years and within 50 years	59.245	59.245	59.245
Total Debt	**81.605**	**81.605**	**81.605**

5.12.2 The following table sets out the Council's investments held at 31 March 2019:

Counterparty	Start Date	End Date	Value (£)	Rate %
Santander UK	95 Day Notice		3,500,000	0.85
Aberdeen GBP Liquidity Fund	Money Market Fund		6,000,000	0.79
Federated Prime Fund Class	Money Market Fund		6,000,000	0.79
Deutsche Bank	Money Market Fund		5,500,000	0.73
Bank of Scotland	08/02/2019	08/08/2019	1,000,000	1.00
Bank of Scotland	18/03/2019	18/09/2019	3,000,000	1.00
Bank of Scotland	09/01/2019	09/04/2019	2,000,000	0.90
			27,000,000	

5.13 All investments in the portfolio have a maturity of under 1 year.

Investment strategy and control of interest rate risk



5.14 Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75% in November 2018. The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Investment interest rates after a disappointing start to the year were therefore on a gently rising trend in the first half of the year, in anticipation that the MPC would raise Bank Rate in August. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

5.15 It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

5.16 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

5.17 Continued uncertainty in the aftermath of the 2008 financial crisis has 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.

Borrowing strategy and control of interest rate risk

5.18 During 2018-19, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

5.19 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years . In particular the Council has avoided "A cost of carry".This arises if any new long-term borrowing is not immediately used to finance capital expenditure, resulting in a temporary increase in cash balances with a subsequent revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

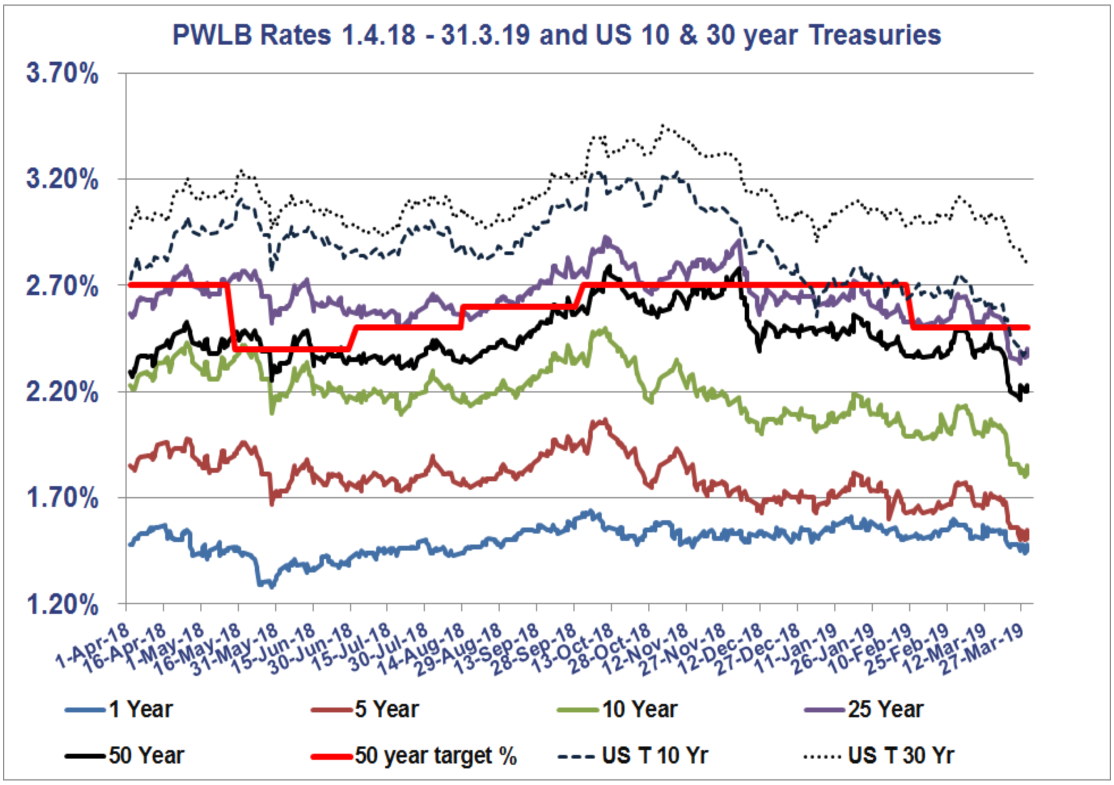
5.20 However, the policy is subject to continual review, since the council would suffer a financial detriment if new borrowing was required to finance capital expenditure and interest rates were increasing.

5.21 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Deputy Managing Director therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

5.22 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View	12.2.18												
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%



5.23 Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields -which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making nine increases in all in this cycle, to reach 2.25% – 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

Borrowing Outturn

5.24 **Borrowing** - Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

5.25 In accordance with the planned treasury strategy the General Fund did use £1.5 million of capital receipts to repay borrowing, however the overall level of borrowing to the authority has not reduced as this borrowing was taken on by the Housing Revenue Account.

Investment Outturn

5.26 **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 07/02/2018. 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).

5.27 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5.28 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2018	31 March 2019
	£'000	£'000
Earmarked Fund balances / reserves		
General Fund	9,786	10,835
General Fund working balance	3,136	2,916
HRA	2,074	5,225
HRA working balance	1,739	1,573
Sub Total	**16,735**	**20,549**
Capital receipts		
GF	2,471	7,371
HRA	593	1,006
Sub Total	**3,064**	**8,377**
Provisions	2,266	3,238
Major Repairs Reserve	883	2,433
Other - grants receipts in advance	602	664
Total core funds	**23,550**	**35,261**

5.29 **Investments held by the Council**

- The Council maintained an average balance of £26.5m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.65%.
- The comparable performance indicator is the average 7-day LIBID rate, which was 0.51%.
- Total investment income was £175,452 compared to a budget of £90,000.

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 form this report.

6.9 **Best Value**

The strategy ensures that best value is provided to the Council.

7 Appendices to the Report

Appendix 1: Prudential and Treasury Indicators

Appendix 2: Investments Portfolio Analysis

Previous Consideration

None

Background Papers

Available in Financial Services.

ITEM NO. 7.10

Appendix 1

AUDIT & GOVERNANCE COMMITTEE

29 July 2019

ANNUAL TREASURY MANAGEMENT REPORT 2018/19

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
	Actual	Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure (HRA)	10,039	7,682	6,349
Capital Expenditure (GF)	2,560	3,353	2,907
Notional Capital expenditure – Finance Leases	1,312		
Ratio of financing costs to net revenue stream (HRA)	16.62% *	16.72%	16.74%
Ratio of financing costs to net revenue stream (GF)	5.9%	4.4%	2.8%
Gross borrowing requirement (GF) - Finance Leases	1,105	1,105	1,105
Gross debt	81,605	81,605	81,605
Capital Financing Requirement as at 31 March (HRA)	81,509*	82,515	82,504
Capital Financing Requirement as at 31 March (GF)	14,971	10,949	10,949
Annual change in Cap. Financing Requirement (HRA)		1,006	995
Annual change in Cap. Financing Requirement (GF)		-4,022	-4,022
2. TREASURY MANAGEMENT INDICATORS			
Authorised Limit for external debt -	111,410	109,385	109,385
Operational Boundary for external debt	99,110	97,885	97,885
Actual external debt	81,605	81,605	81,605

‘ * adjusted following Voluntary MRP reversed

Maturity structure of fixed rate borrowing during 2018/19	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%

ITEM NO. 7.11

Appendix 2

AUDIT & GOVERNANCE COMMITTEE

29 July 2019

ANNUAL TREASURY MANAGEMENT REPORT 2018/19

The following table sets out an analysis of investments held at 31 March 2019 (together with a comparator at 31 March 2018).

INVESTMENT PORTFOLIO	Actual 31.3.18	Actual 31.3.18 %	Actual 31.3.19	Actual 31.3.19 %
Money Market Funds	£6.9m	58%	£17.5m	65%
Banks	£5.0m	42%	£9.5m	35%
TOTAL TREASURY INVESTMENTS	£11.9m	100%	£27.0m	100%

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Grant Thornton

Our ref: CCDC/ RDP/ JAM/ Fee Letter 2019-20

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Bob Kean
Deputy Managing Director and Head of Finance
Cannock Chase District Council
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WS11 1BG

23 April 2019

Dear Bob

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the PSAA website.

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the PSAA website. The Council's scale fee for 2019/20 has been set by PSAA at £40,124 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors.

Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the NAO website.

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

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

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	10,031
December 2019	10,031
March 2020	10,031
June 2020	10,031
Total	**40,124**

Outline audit timetable

We will undertake our audit planning and interim audit procedures from December 2019 to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2020 and work on the whole of government accounts return alongside this.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2019 to March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	June to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	June to July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0121 232 5434	richard.d.percival@uk.gt.com
Engagement Manager	James McLarnon	0121 232 5219	james.a.mclarnon@uk.gt.com
In Charge Auditor	Harkamal Vaid	0121 232 8775	harkamal.s.vaid@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via mark.c.stocks@uk.gt.com

Yours sincerely

Richard Percival
Engagement Lead
Grant Thornton UK LLP