East Staffordshire Borough Council

STATEMENT OF ACCOUNTS 2019/20

Burton Town Hall

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East Staffordshire Borough Council

Statement of Accounts

Year ended 31st March 2020

STATEMENT OF ACCOUNTS

2019 – 2020

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INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for the year ended 31st March 2020. These accounts are presented in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy.

The outturn presented to the Council's Cabinet reports a revenue budget under-spend of £23k and a surplus in relation to the Business Rates Retention Scheme of £3.1m. This is a very pleasing outcome, particularly considering the extent of annual savings that have been built into the budget since 2010 and the impact of the Covid-19 Pandemic during March 2020. Despite unprecedented reductions in core central government funding since 2010, the Council's proactive approach to the management of resources has enabled the Council to deliver an outturn within Budget. Members and officers across the Council continue to deserve credit for their tight budget management in what continues to be challenging circumstances for local authority finances.

During the course of 2019/20 the Council provided support for Neighbourhood projects and grants for disabled facilities, as well as supporting £1m in investment at our leisure facilities in partnership with our external provider. The Council also gave final approval for its plans to regenerate the public realm at Station Street, Burton with works commencing in March 2020. Plans have also been developed to provide £2m of investment in the Washlands working in partnership with the Environment Agency and partially funded from external grant monies from the Greater Birmingham and Solihull LEP. During the course of 2019/20 Burton has also being nominated by Central Government to prepare a bid for up to £25m from the Stronger Towns Fund. Members and Officers are working closely with partners and an advisory board to prepare a bid.

The Covid-19 Pandemic and subsequent Government lockdown from 20th March 2020 has had a considerable impact on both the Council, its residents and businesses. As a result a number of the Council's services were suspended, including Leisure and Cultural Facilities, Green and Bulky Waste Collections and the Council's main administrative office, Burton Town Hall, is largely vacated with almost all staff remotely working from home in line with the stay at home policy. The financial impact on the Council arises from additional cost pressures but more significantly a reduction in the income levels received which support the delivery of services to residents, including Council Tax, Business Rates, Parking, Planning and Investment income from daily cash flows. Whilst this has not had a dramatic financial impact on 2019/20 the true scale of the impact will be felt in 2020/21. The impact on the Medium Term Financial Strategy will be extensive, this is being monitored and updated on a regular basis and the Council's underlying financial position is robust. Reserves have been increased during the course of 2019/20, which provides a strong foundation of financial resilience during these unprecedented times. The Council remains well placed to meet the challenges ahead and ensure that the residents of East Staffordshire continue to receive high quality services.

The statements presented within the Council's accounts demonstrate a healthy fiscal position for the Borough Council. Despite the challenges during the year, we maintained our prudent and sensible approach to financial management and I am grateful for the support of members and officers who continue to endorse such an approach.

KEY AREAS OF SIGNIFICANCE WITHIN THE ACCOUNTS

The Comprehensive Income and Expenditure Statement set out on page 11 of this document shows a surplus position on the provision of services of £0.2m. This statement measures the authority's financial performance in terms of the resources consumed and generated over the period and is presented in a similar format to a commercial enterprise. However the authority is required by law to set its budget and raise council tax on a different accounting basis. As a consequence there are a number of statutory adjustments that are made to this figure (set out on page 40-41), in order to determine the movement on the general fund balances, which was neutral as the revenue outturn under-spend has been set aside within earmarked reserves.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31st March 2020 the balance, stands at £1.278m. This is an appropriate level for an authority of this size, level of expenditure and risk profile, it is also consistent with the approved medium term financial strategy. In addition, the Council holds a number of other specific earmarked reserves to mitigate against key risks (including the impact of the Business Rates Retention Scheme) but also to allow for projects to take place over a number of years, and to meet future borrowing costs.

The Balance Sheet set out on page 14, shows an increase in the total net worth of £17.7m. The most significant underlying reason for this change relates to a reduction in the estimated pension fund liability from £60.3m to £47.2m. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions – it is these assumptions that have changed and resulted in the reduced liability. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. The pension fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget – the approved Medium Term Financial Strategy makes provision for these increases.

The amounts shown within the accounts in relation to non-current assets (primarily Property, Plant and Equipment and Investment Properties) are underpinned by valuations provided by the Council's external valuers, these are measured on a range of valuation bases. The valuer has highlighted that the outbreak of Covid-19 has impacted global financial markets and as at 31st March 2020 less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations.

GENERAL FUND REVENUE OUTTURN 2019/20

The table below sets out the position of the General Fund for 2019/2020. When the budget for the year was agreed in February 2019, it assumed total net revenue expenditure of £10.617m.

The outturn position shows that at the end of the year the amount to be raised had decreased to £10.594m, giving an under-spend to be taken to reserves of £0.023m.

	Budget £'000	**Outturn** £'000	**Variance** £'000
Service Expenditure	10,617	10,594	(23)
To be met from:			
Retained Business Rates	3,452	3,452	-
Windfall Business Rates Pilot	212	212	-
Contribution to New Homes Bonus Reserve	(17)	(17)	
Collection Fund			
Demand for Year	6,874	6,874	-
Previous Years' Surplus	96	96	-
Total Revenue Budget Support	10,617	10,617	-
Surplus for Year		(23)	(23)
	10,617	**10,594**	**(23)**

A full reconciliation between the above management outturn position and the financial statements is shown within the expenditure and funding analysis shown in note 4 to the accounts.

COLLECTION FUND

The Collection Fund is an agent's 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 Business Rates (NNDR) and its distribution to the relevant authorities.

The Collection Fund shows an in year surplus of £3.8m, this includes a deficit of £0.3m in relation to Council Tax and a £4.1m surplus in relation to Business Rates. This position is after taking into account payments of £0.8m (Council Tax) and £2.0m (Business Rates) relating to prior year surpluses. Overall, after taking into account the balance brought forward from 2018/19, the Collection Fund has a surplus of £7.2m, which will be distributed in 2020/21 and 2021/22, in accordance with the respective legislative requirements.

These figures include an uplift in the provisions for expected losses taking into account a review of the latest recovery information and the estimated impact on recovery as a result of the Covid-19 Pandemic in line with CIPFA Guidance. Further details are given in the Collection Fund Income and Expenditure account and notes on pages 93 onwards.

CAPITAL EXPENDITURE 2019/2020

During 2019/2020 the Council spent £2.104m on capital projects. A breakdown by scheme and the sources of funds used to finance this expenditure is shown below.

Analysis of Capital Expenditure	£'000	**Sources of Finance**	£'000
Leisure Improvements	999	Borrowing	999
Disabled Facility Grants	581	Capital Grants and Contributions	810
Station Street - Burton	229	Capital Receipts	295
Neighbourhood Working Fund	163		
Brewhouse Arts Centre	43		
Depot Multi-Vehicle	36		
Audio Equipment	21		
Town Hall Office Accommodation	12		
Canal Street Industrial Units	11		
Bartec Street Cleaning Software	9		
	2,104		**2,104**

BORROWING

At the end of 2019/2020 the total external loan debt of the Council was £11.227m (£11.340m at 31st March 2019). The Council's underlying need to borrow reduced during the year from £15.8m to £15m, which includes the voluntary set-aside of windfall resources of £0.9m. This will generate savings to the revenue budget and reduce the burden of existing debt on future taxpayers.

In addition to which, liabilities associated with finance leases amount to £0.318m as at 31st March 2020 (£0.854m as at 31st March 2019). This relates to the Council's Waste Vehicle fleet largely acquired during the course of 2015/16.

PENSIONS

For the purposes of International Accounting Standard 19 (Accounting and Reporting by Retirement Benefit plans), the results of the Pension Fund actuary's calculations in respect of the Local Government Pension scheme on behalf of the Council revealed a net liability of £47.2m at 31 March 2020. This is shown under long-term liabilities on the Balance Sheet on page 14.

The pension liability of £47.2m represents the underlying long term commitment that the authority has to pay future retirement benefits. This deficit has no direct impact on the budget of the authority or the level of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

COVID-19 PANDEMIC

As set out above, the Covid-19 Pandemic and subsequent Government lockdown from 20th March 2020 has had a considerable impact on both the Council, its residents and businesses. As a result a number of the Council's services were suspended, including Leisure and Cultural Facilities, Green and Bulky Waste Collections and the Council's main administrative office, Burton Town Hall, is largely vacated with almost all staff remotely working from home in line with the stay at home policy. The Council has been proactive and responded well to the evolving situation, with key features of our response outlined below:

- Prior to the incident being declared a pandemic, the Council closely monitored the emerging COVID-19 situation, and all Business Continuity Plan owners were asked to review and update their plans in light of the potential for future disruption. Managers also reviewed key controls to ensure that services would be in a position to continue when the need arises;

- On Monday 16th March 2020, all managers met to consider business continuity and specifically any additional ICT requirements necessary for homeworking.

- On 17th March 2020 the Council implemented business continuity measures in response to the COVID19 pandemic and emerging Government guidance and legislation.

- The majority of Council staff were homeworking as of Wednesday 18th March 2020, with only a very few individuals now attending the office occasionally to undertake specific essential duties by prior arrangement and with senior management approval. Various Human Resource policies were updated where necessary to reflect the current situation.

- A response section has been developed on the Council website collating all guidance, messaging and service disruption. This is regularly updated as changes occur. It is however acknowledged that throughout the COVID19 situation all statutory and critical services have continued and service disruption has been kept to a minimum.

- Elected Members have been updated on at least a weekly basis through the Member Briefing which is emailed out to all Councillors.

- The Council meeting scheduled for 23rd March 2020, went ahead with social distancing measures implemented. The meeting allowed the Council to update its policy framework to enable it to continue for the duration of the pandemic.

- A "virtual" decision making process has been developed with an electronic sign-off process implemented for delegated Executive Decision Records. The Council held its first virtual Cabinet meeting on Monday 20th April 2020, following the government's temporary removal of the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic.

PERFORMANCE AGAINST THE CORPORATE PLAN

The Council has approved a Corporate Plan covering the period 2019/20 onwards. This is updated and refreshed on an annual basis and performance monitored throughout the year. For 2019/20 the Council set 109 corporate plan targets, of which 91.51% were fully achieved. Overall performance is monitored against our three overarching priorities, as follows:

- Value for Money Council Services (89% fully achieved)
- Environment and Health & Well Being (93% fully achieved)
- Community Regeneration Communities (88% fully achieved)

Looking ahead to 2020/21, the Council has set a range of development targets, including:

- Deliver projects in Burton town centre and the Washlands through significant environmental regeneration.
- Work towards achieving transformation regeneration for the wider Burton upon Trent of up to £25m through the Towns Fund.
- Climate Change and Air Quality
- Leisure Services Contract Management Oversight
- Explore new models of delivery in relation to the Brewhouse, Arts, Town Hall and Markets
- Continue to improve financial resilience and resilience planning
- Completion and implementation of the Boundary Review
- Housing Strategy Initiatives

The delivery of many of the targets set is being impacted upon by the Covid-19 Pandemic and the Corporate Management Team are keeping this under review and providing regular updates to Members. Further details on the Corporate Plan can be found on our website.

FINANCIAL STRATEGY FOR 2020/21 ONWARDS

The Council approved its Medium term Financial Strategy for 2020/21 to 2024/25 in February 2020. This highlights some significant risks including those associated with the scheme which localises income from business rates, and the future levels of funding from central government arising from the various reviews that are currently taking place. These could have a significant impact on the resources available and how resources are allocated within the sector in the future. Nevertheless, the Council has set out a robust strategy which establishes our approach to delivering future savings to ensure a resilient financial position.

Since the Medium Term Financial Strategy was approved the Covid-19 Pandemic has had an unprecedented worldwide impact. The Council has inevitably been effected financially by this, with additional cost pressures and more significantly a reduction to the income levels the Council receives that are used to ensure that the funding is available to provide essential services to residents. Whilst the impact on the Medium Term Financial Strategy will be extensive, this is being monitored and updated on a regular basis and the Council’s underlying financial position remains a robust one which provides a strong foundation of financial resilience during these unprecedented times.

Further information in relation to the Medium Term Financial Strategy can be found on our website.

AUDIT OF THE ACCOUNTS

The Council's auditors, Grant Thornton UK LLP, undertake the audit of these accounts. The contact details for the Auditor are: Michael Green, Director, Grant Thornton UK LLP, The Colmore Building, 20 Colmore Circus, Birmingham, West Midlands B4 6AT.

FURTHER INFORMATION

The accounts and accompanying statistics in the following pages contain a great deal of information about East Staffordshire Borough Council’s finances. I hope you will find it interesting. Further information on the Council’s accounts is available from the Financial Management Unit, Town Hall, King Edward Place, Burton upon Trent, DE14 2EB. Or by telephone (01283) 508399 or e-mail to financial.management@eaststaffsbc.gov.uk. The public has a statutory right to inspect and, if they wish, object to the accounts prior to the completion of the audit.

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GUIDE TO THE MAIN FINANCIAL STATEMENTS

The Council's accounts for the year 2019/2020 are set out on the following pages. The accounts comprise:

Statement of Responsibilities for the Statement of Accounts

Within this statement the respective responsibilities of the Council and the Chief Finance Officer are set out in relation to the preparation of the accounts, and also of members in the approval of the accounts.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxations. 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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the authority'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 before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that the authority 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 capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserves), 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 'Adjustment between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 to the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority'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 authority.

Collection Fund Account

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The 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.

Annual Governance Statement

This sets out the framework within which internal control is managed and reviewed and provides reasonable assurance as to its effectiveness. The statement reports on any weaknesses identified and the actions being taken to rectify these.

Glossary of Terms

This explains the technical terms used within the Statement of Accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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 Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the authority'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").

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certificate of the Chief Finance Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Borough Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Lisa Turner CPFA Date: 27/11/20
Chief Accountant (Deputy Section 151 Officer)

Member Approval of the Statement of Accounts

The approval of East Staffordshire Borough Council's Statement of Accounts is the responsibility of a meeting of the Audit (Approval of Statement of Accounts) Committee.

The Accounts were presented and approved in draft form at the meeting of the Audit (Approval of Statement of Accounts) Committee on 9th September 2020 – authority to approve the final version was delegated to the Chair at the same meeting.

Councillor P Hudson
Chair, Audit (Approval of Statement of Accounts) Committee Date: 27/11/20

This is an electronic copy without electronic signatures. The original was signed as dated above and a copy can be obtained from the financial management unit on request.

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2020

2018/19 (Restated)					2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
973	(350)	623	Arts, Brewhouse and Functions		955	(284)	671
4,141	(1,606)	2,535	Community and Open Spaces		4,392	(1,579)	2,813
507	(17)	490	Corporate Management Team		543	(18)	525
941	(52)	889	Corporate and Commercial		1,053	(82)	971
130	0	130	Cultural Services - Marketing		97	0	97
328	(96)	232	Enterprise		405	(408)	(3)
5,736	(1,874)	3,862	Environment		6,071	(1,804)	4,267
850	(425)	425	Environmental Health		1,201	(692)	509
607	(17)	590	Financial Services		731	(81)	650
687	(474)	213	Housing		624	(461)	163
450	(7)	443	Human Resources, Payments & Pensions		610	35	645
488	(14)	474	IT and Printing		492	(14)	478
373	(77)	296	Legal Services and Assets		405	(59)	346
3,011	(1,605)	1,406	Leisure Services		1,594	(287)	1,307
426	(393)	33	Licensing and Enforcement		470	(369)	101
1,154	(1,204)	(50)	Planning and Land Charges		1,142	(1,064)	78
26,215	(25,663)	552	Revenue, Benefits and Customer Contacts		23,370	(22,540)	830
364	0	364	Non Distributed Costs		315	0	315
312	(251)	61	External Funding and Holding Accounts		599	(599)	0
47,693	**(34,125)**	**13,568**	**Cost of Services**	**4**	**45,069**	**(30,306)**	**14,763**
1,275	(179)	1,096	Other operating expenditure	10	1,272	(299)	973
4,706	(3,871)	835	Financing and investment income and expenditure	11	5,083	(3,446)	1,637
18,670	(32,408)	(13,738)	Taxation and non specific grant income and expenditure	12	18,631	(36,171)	(17,540)
72,344	**(70,583)**	**1,761**	**(Surplus) or Deficit on Provision of Service**	**5**	**70,055**	**(70,222)**	**(167)**
	(198)		(Surplus)/deficit on revaluation of non current assets	13		(1,135)	
	6,565		Remeasurement of the net defined pension liability	44		(16,377)	
		6,367	**Other Comprehensive Income and Expenditure**				**(17,512)**
		8,128	**Total Comprehensive Income and Expenditure**				**(17,679)**

Note: The comparator figures for 2018/19 have been represented to reflect the most recent management structure/operating segments and ensure a like for like comparison with the figures for 2019/20 – Further details can be found at note 47.

MOVEMENT IN RESERVES STATEMENT
For the year ended 31 March 2020

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves (Note 29)	Unusable Reserves (Note 30)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 carried forward	1,278	13,679	14,957	796	15,753	(30,642)	(14,889)
Movement in reserves during 2019/20							
Surplus/(Deficit) on provision of services	167	0	167	0	167	0	167
Other Comprehensive Income and Expenditure	0	0	0	0	0	17,512	17,512
Total Comprehensive Income and Expenditure	167	0	167	0	167	17,512	17,679
Adjustments between accounting basis & funding basis under regulations (note 8)	1,768	0	1,768	(89)	1,679	(1,679)	0
Net Increase before Transfers to Earmarked Reserves	1,935	0	1,935	(89)	1,846	15,833	17,679
Transfers to/from Earmarked Reserves (note 9)	(1,935)	1,935	0	0	0	0	0
Increase / (Decrease) in Year	0	1,935	1,935	(89)	1,846	15,833	17,679
Balance at 31 March 2020 carried forward	1,278	15,614	16,892	707	17,599	(14,809)	2,790

MOVEMENT IN RESERVES STATEMENT
For the year ended 31 March 2019

	General Fund Balance	General Fund Earmarked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves (Note 29)	Unusable Reserves (Note 30)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 carried forward	**1,278**	**12,650**	**13,928**	**724**	**14,652**	**(21,413)**	**(6,761)**
Movement in reserves during 2018/19							
Surplus/(Deficit) on provision of services	**(1,761)**	**0**	**(1,761)**	**0**	**(1,761)**	**0**	**(1,761)**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**(6,367)**	**(6,367)**
Total Comprehensive Income and Expenditure	**(1,761)**	**0**	**(1,761)**	**0**	**(1,761)**	**(6,367)**	**(8,128)**
Adjustments between accounting basis & funding basis under regulations (note 8)	**2,790**	**0**	**2,790**	**72**	**2,862**	**(2,862)**	**0**
Net Increase before Transfers to Earmarked Reserves	**1,029**	**0**	**1,029**	**72**	**1,101**	**(9,229)**	**(8,128)**
Transfers to/from Earmarked Reserves (note 9)	**(1,029)**	**1,029**	**0**	**0**	**0**	**0**	**0**
Increase / (Decrease) in Year	**0**	**1,029**	**1,029**	**72**	**1,101**	**(9,229)**	**(8,128)**
Balance at 31 March 2019 carried forward	**1,278**	**13,679**	**14,957**	**796**	**15,753**	**(30,642)**	**(14,889)**

BALANCE SHEET
As at 31st March 2020

31st March 2019			31st March 2020
£'000		Note	£'000
33,770	Property, Plant and Equipment	13	**32,403**
10,922	Investment Property	14	**10,303**
11	Intangible Assets	15	**6**
397	Heritage Assets	16	**383**
12	Long Term Investments	17	**3**
821	Long Term Debtors	18	**804**
45,933	**Long Term Assets**		**43,902**
	Current Assets		
-	Assets Held for Sale	19	**1,235**
15,064	Short Term Investments	21	**19,870**
99	Inventories	22	**124**
5,613	Short Term Debtors	23	**6,551**
10,625	Cash and Cash Equivalents	24	**12,954**
31,401	**Current Assets**		**40,734**
(624)	Short-Term Borrowing	28	**(565)**
(10,562)	Short Term Creditors	26	**(14,388)**
(11,186)	**Current Liabilities**		**(14,953)**
(3,074)	Provisions	27	**(2,166)**
(10,716)	Long Term Borrowing	28	**(10,662)**
(60,312)	Pension Liability	45	**(47,240)**
(854)	Other Long Term Liabilities	42	**(318)**
(6,081)	Capital Grants Receipts in Advance	39	**(6,507)**
(81,037)	**Long Term Liabilities**		**(66,893)**
(14,889)	**Net Assets**		**2,790**
	Financed by:		
(30,642)	Unusable Reserves	30	**(14,809)**
15,753	Usable Reserves	29	**17,599**
(14,889)	**Total Net Worth**		**2,790**

CASH FLOW STATEMENT
For the year ended 31 March 2020

	Note	2019/2020 £'000	2018/2019 £'000
Net (surplus) or deficit on the provision of services		(167)	1,761
Adjustments to net surplus or deficit on the provision of services for non-cash movements	31	(5,174)	(4,860)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	31	1,578	633
Net cash flows from operating activities		**(3,763)**	**(2,466)**
Investing activities	32	1,947	(4,028)
Financing activities	33	(513)	1,421
Net (increase) or decrease in cash and cash equivalents		**(2,329)**	**(5,073)**
Cash and cash equivalents at the beginning of the reporting period		**(10,625)**	**(5,552)**
Cash and cash equivalents at the end of the reporting period		**(12,954)**	**(10,625)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/2020 financial year and its position as at the year-end 31 March 2020. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those regulations require 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 2019/20, supported by International Financial reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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. 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. Exceptions to this principle relate to electricity, gas and similar periodic payments, which are charged at the date of meter reading rather than being apportioned between financial years. In addition, housing benefits payments are matched to the subsidy claim which includes 52 weekly payment runs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- 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 payable and receivable 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Where the exact amount due in respect of accruals has not yet been confirmed, for example grant entitlements from Central Government, the accounts reflect the best estimate and use latest available information. The estimation techniques used have not generally been changed from the previous year.

iii. Tax Income (Council Tax, Non-Domestic Rates (NNDR) /Business Rates)

The Council is a billing authority and therefore acts as an agent, collecting council tax and non-domestic rates (NNDR) on behalf of major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NNDR. 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 NNDR collected could be less than predicted.

Accounting for Council Tax and NNDR

The Council Tax and NNDR income and expenditure 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 year end balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

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

iv. 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 one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

v. Exceptional Items

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

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

vii. 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 the fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

viii. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those expected 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 current employees and are recognised as an expense for services in the year in which employees render the service to the authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year end in which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit in 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 the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement 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 year-end.

Post-Employment Benefits

The employees of the Council may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government scheme is accounted for as a defined benefits scheme:

The liabilities of the Local Government Pension Scheme administered by Staffordshire County Council attributable to this Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings by employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (2.4% 2018/19). This rate is equal to the yield available on long-dated, high quality corporate bonds and is commonly referred to as the AA Corporate Bond Rate.

The assets of 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

Leisure Transfer – Pension Guarantee

During 2018/19 authority transferred the provision of its leisure services to a third party provider, Sports and Leisure Management Ltd (SLM). As part of the contractual arrangements, all leisure centre staff were transferred to SLM or its subsidiaries via TUPE arrangements. SLM has been admitted to the Staffordshire County Council pension fund and pension arrangements between the three parties are managed using admission agreements. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the contractual arrangements mean that Council acts as guarantor for the vast majority of the pension risks associated with the former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2019/20, the risk has been assessed at low, no greater than 5% or £0.1m.

The change in the net pension’s liability is analysed into the following components:

Service Cost Comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated to the revenue accounts of the services for whom the employees worked.

- Past service gains/costs – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

- Net interest cost on the defined benefit liability, i.e. Net interest expense for the authority – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability – charged to the Pension Reserve as other Comprehensive Income and Expenditure

- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to Staffordshire County Council 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 limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on 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 year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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.

ix. Events after the Balance Sheet Date

An event (favourable or unfavourable) occurring after the balance sheet date of 31 March, which provides evidence of conditions which existed at 31 March, is an adjusting event with the amounts shown in the Statement of Accounts updated to take account of the new information.

An event occurring after 31 March which indicates conditions that arose from 1 April onwards is a non-adjusting event with no effect on amounts included in the Statement of Accounts. However if these events are material they are disclosed in the notes to the accounts.

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

x. Financial Instruments

Financial Assets

Financial assets i.e. amounts invested, are classified based on a classification and measurement approach that reflects the business model for holding the assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit and loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the authority becomes 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 the interest receivable are based on the carry amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains for losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line of the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost on either a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables and lease receivables held by the authority. The authority adopts the simplified approach to lease and trade receivables (debtors) held by the authority.

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes 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 instruments to the amount at which it was originally recognised.

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid or a nominated shorter period. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement.

xi. Foreign Currency Translation

From time to time the authority occasionally enters into a transaction denominated in a foreign currency. The transaction is converted into sterling at the exchange rate applicable on the date of the transaction.

xii. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the 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 returned to the transferor.

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

xiii. Heritage Assets

The authority's heritage assets include various paintings, sculptures and civic items which are held primarily as a contribution to knowledge and culture. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with our accounting policies for plant property and equipment. However some of these measurement rules are relaxed in relation to Heritage Assets.

Heritage asset records are maintained within the fixed asset register and insurance records. Access to the vast majority of these items can be gained via the Brewhouse Centre and mayoral and civic rooms within the Town Hall.

Heritage Assets are measured and reported in the balance sheet based on insurance valuation, which are periodically updated. However sculptures are reported within the Balance Sheet at depreciated historic cost.

All assets are depreciated to the Comprehensive Income and Expenditure Statement based on an estimate of their useful lives – generally 50 years with sculptures 25 years. The carrying values are reviewed where there is evidence of impairment this is recognised and measured in accordance with our general polices on impairment, as set out in xix.

Further information in relation to Heritage Assets is set out with note 16 to the accounts.

xiv. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, e.g. computer software and related licences, is capitalised at cost when it will bring benefits to the Council for more than one financial year. The balance is amortised/depreciated to the relevant service lines in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are recognised within the relevant service line within the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or 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.

xv. Interests in Companies and Other Entities

The Council does not have any significant interest in companies and this interest does not require the preparation of group accounts.

xvi. Inventories and Long Term Contracts

Stocks/Inventories are included in the accounts on the basis of the latest price paid. This is a departure from the requirements of the Code, which require stocks to be shown at the lower of cost or net realisable value. The effect of the different treatment is immaterial.

Work in progress on long term contracts, for which interim valuations are made, is included in the surplus or deficit in the provision of services at historical cost covering labour, materials and direct overheads, net of any progress payments received.

xvii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and for sale proceeds greater than £10,000 the capital receipts reserve.

xviii Leases

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

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

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

Finance Leases – Authority as Lessee

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases – Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the start of the lease).

Finance Leases – Authority as Lessor

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of plant, property 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 – Authority as Lessor

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Any significant 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 the rental income.

xix. Property, Plant and Equipment

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

Recognition

All expenditure on the acquisition, creation or enhancement of tangible plant, property and equipment is capitalised on an accruals basis, provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset, e.g. repairs and maintenance, is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The authority does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- other land and buildings, vehicles, plant and equipment – current value, determined as the amount that would be paid for the asset in existing use.

- infrastructure, community assets and assets under construction - depreciated historical cost.

- Surplus assets, the current value measurement base is fair value, estimated at highest and best use from the market participants' perspective.

Where there is not market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the 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 in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of 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 the balance (up to the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the impairment is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for 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 yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset.
- Infrastructure - straight line allocation over the useful life of the asset.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charge 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.

De Minimis Levels
Charges to Revenue are made subject to a de minimis level regarding the capitalisation of expenditure. This has been set at £15,000 for land and buildings and £10,000 for equipment. If expenditure that would normally be capital is incurred below these levels, it would normally be charged directly to the revenue cost of the service concerned.

Disposals and Non-Current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through the 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 previous losses recognised in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.
Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement. These receipts can only be used for new capital investment or set aside to reduce the authority's underlying need to borrow.

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

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charges as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and can measure 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 each balance Sheet date – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement anticipated), the provision is reversed (or reduced) and credited back to the relevant service.

Contingent Liabilities

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

Contingent liabilities are not included in the accounts as an item of expenditure. They are disclosed in the Notes to the accounts.

Contingent Assets

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

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

xxi Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into 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 tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant accounting policies.

xxii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Movement in Reserves Statement so that there is no impact on the level of council tax.

xxiii Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

xxiv. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets, investment properties 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 assets or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
Level 2 – inputs other that quoted prices include 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. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the authority 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 as follows:-

- The Business Rates Retention Scheme came into effect from 1st April 2013. The accounts include a provision for the estimated cost of both appeals that have been lodged with the Valuation Office and likely future appeals against the rateable value of businesses in the area. The accounts contain judgements as to the extent that these appeals/applications are likely to arise and be successful.

- The Council transferred the management of its leisure services to a third party provider on 1 February 2019. As part of the contractual arrangements, all leisure centre staff were transferred via TUPE arrangements. The contractor is an admitted to the Staffordshire County Council pension fund and pension arrangements between the Council, Staffordshire County Council and the contractor are managed using an admission agreement. The IAS 19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the contractual arrangements mean that Council acts as guarantor for the vast majority of the pension risks associated with the former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2019/20, the risk has been assessed at low, no greater than 5% or £0.1m.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the authority's Balance Sheet as at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions (£47.2m as at 31st March 2020) depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied. The accounts of the Staffordshire Pension Fund include a disclosure note about material uncertainty in respect of the property funds it holds. Details of these	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in member life expectancy of 1 year would result in an increase in the pension liability of approx. £6.2m.

	can be found within the Staffordshire Pension fund accounts. The Council's proportion of these funds is approximately 2% which equates to £8.3m. Therefore, less certainty can be attached to the valuation of these assets at 31st March 2020.	
Valuation of Plant, Property and Equipment	The Council's external valuers provided valuations as at 31 March 2020 for approximately 54% of its operational portfolio measured on a range of valuation bases. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.	If the value of the Council's operational properties were to reduce by 10% (equates to £2.811m), this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £1.188m and the Revaluation Reserve of £1.623m. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is £28.3m.
Impairment allowance for doubtful debt	As at 31 March 2020, the Council had an outstanding balance of short-term debtors totalling £8.5m. Against this debtors' balance, there is an impairment allowance of £2.6m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate by 5% the provision would need to increase by £0.3m

Business Rate Appeals	As at 31st March the Council's share of the estimated appeals and claims against business rates is £2.1m. This is a complex calculation based on past success levels for individual categories of properties.	Every 1% increase in the overall level of success would increase the provision by £0.1m.
Fair Value Measurements	When fair value for financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values including unobservable inputs. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities. Where level 1 inputs are not available the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the external valuer). Investment Properties – Variation to Unobservable Income Unobservable inputs such as rents, vacancy levels and discounts have been used in the valuation of £8.023m of our investment properties. The portfolio consists of local commercial/industrial units with no significant holding of shops or other retail space. However the units may be impacted by the current COVID19 pandemic caused by lack of demand within the wider economy.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties. Significant unobservable inputs used include management assumptions regarding rent levels, vacancy levels and discount rates. Significant changes in any of these unobservable inputs would result in lower or higher fair value measurement. Negative If lower demand is reflected in yield (slower moving / more vacancies) then a 10% movement would lead to a drop in value of 0.729m. Including a 10% decrease in rents receivable means the drop in value totals £1.456m.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

4a – Expenditure and Funding Analysis (2019/20)

	2019/20				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	492	0	492	179	671
Community and Open Spaces	1,353	82	1,435	1,378	2,813
Corporate Management Team	427	0	427	98	525
Corporate and Commercial	783	99	882	89	971
Cultural Services - Marketing	87	0	87	10	97
Enterprise	115	(140)	(25)	22	(3)
Environment	3,800	(23)	3,777	490	4,267
Environmental Health	407	(9)	398	111	509
Financial Services	873	979	1,852	(1,202)	650
Housing	223	(113)	110	53	163
Human Resources, Payments & Pensions	1,733	8	1,741	(1,096)	645
IT and Printing	396	0	396	82	478
Legal Services And Assets	(399)	(9)	(408)	754	346
Leisure Services	1,014	(4)	1,010	297	1,307
Licensing and Enforcement	58	(30)	28	73	101
Markets	49	0	49	(49)	0
Planning and Land Charges	(10)	(42)	(52)	130	78
Revenue, Bens' and Customer Contacts	350	201	551	279	830
Corporate Items	(1,157)	(650)	(1,807)	1,807	0
Non Distributed Costs	0	0	0	315	315
External Funding/Holding Accounts	0	0	0	0	0
Cost of Services	**10,594**	**349**	**10,943**	**3,820**	**14,763**
Other Income and expenditure	(10,617)	(2,261)	(12,878)	(2,052)	(14,930)
(Surplus) or Deficit	**(23)**	**(1,912)**	**(1,935)**	**1,768**	**(167)**
Opening General Fund Balance			**(14,957)**		
Less/Plus (Surplus) or Deficit			**(1,935)**		
Closing General Fund Balance at 31st March			**(16,892)**		
General Fund Working Balance			**1,278**		
Earmarked Reserves (Note 9)			**15,614**		
			16,892		

* This column includes net transfers to and from earmarked reserves.

	2018/19				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	486	0	486	137	623
Community and Open Spaces	1,286	261	1,547	988	2,535
Corporate Management Team	424	0	424	66	490
Corporate and Commercial	858	(36)	822	67	889
Cultural Services - Marketing	123	0	123	7	130
Enterprise	88	129	217	15	232
Environment	3,453	(27)	3,426	436	3,862
Environmental Health	446	(97)	349	76	425
Financial Services	987	262	1,249	(659)	590
Housing	262	(84)	178	35	213
Human Resources, Payments & Pensions	1,642	0	1,642	(1,199)	443
IT and Printing	406	0	406	68	474
Legal Services and Assets	(467)	64	(403)	699	296
Leisure Services	1,193	524	1,717	(311)	1,406
Licensing and Enforcement	34	(58)	(24)	57	33
Markets	25	3	28	(28)	0
Planning and Land Charges	(283)	79	(204)	154	(50)
Revenue, Ben's and Customer Contacts	267	98	365	187	552
Corporate Items	(979)	(577)	(1,556)	1,556	0
Non Distributed Costs	0	0	0	364	364
External Funding/Holding Accounts	0	168	168	(107)	61
Cost of Services	**10,251**	**709**	**10,960**	**2,608**	**13,568**
Other Income and expenditure	(10,667)	(1,322)	(11,989)	182	(11,807)
(Surplus) or Deficit	**(416)**	**(613)**	**(1,029)**	**2,790**	**1,761**
Opening General Fund Balance			**(13,928)**		
Less/Plus (Surplus) or Deficit			**(1,029)**		
Closing General Fund Balance at 31st March			**(14,957)**		
General Fund Working Balance			**1,278**		
Earmarked Reserves (Note 9)			**13,679**		
			14,957		

*

This column includes net transfers to and from earmarked reserves.

The operating segments/service divisions have been revised from those published in the 2018/19 accounts to reflect the latest management structure and ensure a like for like comparison with the 2019/20 figures.

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Segment				
Arts, Brewhouse and Functions	82	96	1	179
Community and Open Spaces	1,226	150	2	1,378
Corporate Management Team	0	97	1	98
Corporate and Commercial	0	88	1	89
Cultural Services - Marketing	0	10	0	10
Enterprise	0	22	0	22
Environment	536	500	(546)	490
Environmental Health	0	109	2	111
Financial Services	(998)	72	(276)	(1,202)
Housing	0	53	0	53
Human Resources, Payments and Pensions	0	(1,097)	1	(1,096)
IT and Printing	39	43	0	82
Legal Services and Assets	627	49	78	754
Leisure Services	288	9	0	297
Licensing and Enforcement	6	66	1	73
Markets	33	25	(107)	(49)
Planning and Land Charges	0	128	2	130
Revenue, Benefits and Customer Contacts	8	267	4	279
Corporate Items	0	0	1,807	1,807
Non Distributed Costs	315	0	0	315
External Funding and Holding Accounts				0
Net Cost of Services	**2,162**	**687**	**971**	**3,820**
Other income and expenditure from the Expenditure and Funding Analysis	(262)	1,470	(3,260)	(2,052)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**1,900**	**2,157**	**(2,289)**	**1,768**

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 (Note 1)**	**Net Change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Segment				
Arts, Brewhouse and Functions	62	74	1	137
Community and Open Spaces	875	112	1	988
Corporate Management Team	0	65	1	66
Corporate and Commercial	0	66	1	67
Cultural Services - Marketing	0	7	0	7
Enterprise	0	15	0	15
Environment	650	335	(549)	436
Environmental Health	0	75	1	76
Financial Services	(401)	46	(304)	(659)
Housing	0	34	1	35
Human Resources, Payments & Pensions	0	(1,199)	0	(1,199)
IT and Printing	40	28	0	68
Legal Services and Assets	(239)	33	905	699
Leisure Services	476	(713)	(74)	(311)
Licensing and Enforcement	14	43	0	57
Markets	41	24	(93)	(28)
Planning and Land Charges	0	153	1	154
Revenue, Ben's and Customer Contacts	7	179	1	187
Contingency Items	0	0	1,556	1,556
Non Distributed Costs	364	0	0	364
External Funding and Holding Accoun	0	61	(168)	(107)
Net Cost of Services	**1,889**	**(562)**	**1,281**	**2,608**
Other income and expenditure from the Expenditure and Funding Analysis	(97)	1,416	(1,137)	182
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**1,792**	**854**	**144**	**2,790**

This table has been restated from the figures published within the 2018/19 to reflect the latest operating segments/ management structure and ensure a like for like comparison with the figures for 2019/20.

Explanatory Notes:

Note 1 - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for the statutory financing charge (MRP) and Revenue Expenditure Financed from Capital under Statute (REFCUS).

In addition, within the other income and expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. 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.

Note 2 - Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits Pension related expenditure and income:

- For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note 3 - Other Differences

The other main differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statue:

- For services – this includes adjustments for employee benefits, such as accrued leave, which are adjusted through the Accumulated Absences Account.

- For financing and investment income and expenditure – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR 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.

- In addition, there are a number of re-classifications of expenditure for the purposes of conversion to the format for the Comprehensive Income and Expenditure. These include the transfer of New Homes Bonus from the corporate items line to the Taxation and non-specific Income line and the transfer of interest payments and receipts from financial services to the financing and investment line.

The table below sets out income in relation to fees and charges from external customers on a segmental basis in line with the Comprehensive Income and Expenditure Statement.

Following the adoption of IFRS 15 (Revenue Recognition from Contracts with Customers) the Council re-assessed its performance obligations under planning fees and charges and identified planning applications where the planning decision had not been made by the Balance Sheet date and where work is outstanding. The value of the fee receivable has been assessed as £96k as at 31st March 2020 compared to £160k as at 31st March 2019 with no impairment considered likely as all applications are validated initially within the overall planning process and the applicable fees have been received in advance. These have been carried forward on the Balance Sheet as a debtor for future recognition.

(b) Segmental Income: Fees, charges from external customers on a Segmental Basis is Analysed Below		
Segment	**2019/20 £'000**	**2018/19 £'000**
Arts, Brewhouse and Functions	(243)	(296)
Community and Open Spaces	(1,482)	(1,535)
Corporate Management Team	(18)	(18)
Corporate and Commercial	(8)	(3)
Environment	(1,742)	(1,790)
Environmental Health	(108)	(170)
Financial Services	(29)	(17)
Housing	(157)	(268)
Human Resources, Payments and Pensions	(7)	(7)
IT and Printing	(14)	(14)
Legal Services and Assets	(794)	(828)
Leisure Services	(7)	(1,567)
Licensing and Enforcement	(352)	(372)
Markets	(176)	(173)
Planning and Land Charges	(997)	(1,155)
Revenue, Benefits and Customer Contacts	(686)	(676)
External Funding and Holding Accounts	(125)	(162)
Total Income from external customers analysed on a segmental basis	**(6,945)**	**(9,051)**

The comparative figures for 2018/19 have been restated to reflect the latest operating segments/management structure to ensure a like for like comparison with 2019/20.

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

The following table provides any analysis of the Income and Expenditure, consistent with the Comprehensive Income and Expenditure Statement, analysed subjectively:

Expenditure/Income	**2019/20 £'000**	**2018/19 £'000**
Expenditure		
Employees	**11,540**	11,583
Other service expenses	**9,938**	9,372
Depreciation, amortisation, impairment and revaluation	**3,085**	2,534
Interest Payments, including Pensions	**4,101**	4,289
Business Rates Transfers	**18,630**	18,670
Housing Benefits	**21,488**	24,621
Local Precepts and Grants	**1,235**	1,190
Book Value on Disposal of Assets	**38**	85
Total Expenditure	**70,055**	**72,344**
Income		
Fees, charges and other service income	**(6,945)**	(9,051)
Other Grants and Contributions	**(877)**	(593)
Interest and investment income, including Pensions	**(2,535)**	(2,645)
Income from council tax and non-domestic rates	**(32,425)**	(28,666)
Government Grants (Note 39)	**(27,041)**	(29,141)
Income on Disposal of Assets/Financial Instruments	**(306)**	(190)
Upward Revaluation of Investment Properties	**(93)**	(297)
Total Income	**(70,222)**	**(70,583)**
Surplus or Deficit on the Provision of Services	**(167)**	**1,761**

6. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021. The likely impact on the financial statements is currently being assessed, however it is not anticipated that this will impact on usable reserves.

- IAS 19 Employee Benefits will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

7. MATERIAL AND OTHER NOTABLE ITEMS OF INCOME AND EXPENSE

Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. A valuation was undertaken as at 31st March 2016 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2020 as one advance payment of £3.052m. This was paid in April 2017 and reflects a discount of 3.8% on the nominal sums. Of this lump sum amount, £1.148m has been charged to the General Fund Balance via the Movement in Reserves Statement relating to the 2019/20 allocation which is the final charge under this arrangement. The allocation relating to 2018/19 was £1.020m.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2019/20	General Fund Balance	Capital Receipts Reserve	Total Movement in Unusable reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account			
Amortisation of intangible fixed assets	5	-	(5)
Depreciation and impairment of fixed assets	1,256	-	(1,256)
Revaluation losses on property, plant and equipment	1,117	-	(1,117)
Movements in market value of investment properties	619	-	(619)
Capital grants and contributions applied	(810)	-	810
Gain or loss associated with financial instruments	(125)	125	0
Gain on disposal of non current assets	(263)	306	(43)
Revenue expenditure funded from capital under statute	973	-	(973)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Minimum revenue provision for capital financing	(894)	-	894
Voluntary set-aside for repayment of debt	(640)	-	640
Adjustment Primarily involving the Capital Receipts Reserve			
Use of capital receipts to finance new capital expenditure	-	(295)	295
Repayment of debt from capital receipts	-	(225)	225
Balance carried forward to next page	1,238	(89)	(1,149)

2019/20	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Balance brought forward from last page	**1,238**	**(89)**	**(1,149)**
Adjustment primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	**(31)**	**-**	**31**
Adjustments involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 45)	**4,477**	**-**	**(4,477)**
Employers pensions contributions and direct payments to pensioners payable in the year	**(2,320)**	**-**	**2,320**
Adjustments primariliy involving the Collection Fund Adjustment Account			
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**43**	**-**	**(43)**
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in	**(1,644)**	**-**	**1,644**
Adjustment primarily involving the Accumulated Absences Account			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**5**	**-**	**(5)**
TOTAL ADJUSTMENTS	**1,768**	**(89)**	**(1,679)**

Comparator information for 2018/19 on this note is shown below.

2018/19	General Fund Balance £'000	Capital Receipts Reserve £'000	Total Movement in Unusable reserves £'000
Adjustments primarily involving the Capital Adjustment Account			
Amortisation of intangible fixed assets	**16**	**-**	**(16)**
Depreciation and impairment of fixed assets	**1,634**	**-**	**(1,634)**
Revaluation losses on property, plant and equipment	**823**		**(823)**
Movements in market value of investment properties	**(247)**	**-**	**247**
Capital grants and contributions applied	**(253)**	**-**	**253**
Gain or loss associated with financial instruments	**(125)**	**125**	**0**
Gain on disposal of non current assets	**(85)**	**180**	**(95)**
Revenue expenditure funded from capital under statute	**319**	**-**	**(319)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Minimum revenue provision for capital financing	**(925)**	**-**	**925**
Voluntary set-aside for repayment of debt	**-**	**-**	**0**
Capital expenditure charged in-year to the General Fund	**(168)**	**-**	**168**
Adjustment Primarily involving the Capital Receipts Reserve			
Use of capital receipts to finance new capital expenditure		**(120)**	**120**
Repayment of debt from capital receipts		**(125)**	**125**
Transfer from deferred capital receipts reserve upon receipt of cash	**(12)**	**12**	**0**
Balance carried forward to next page	**977**	**72**	**(1,049)**

2018/19	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Balance brought forward from last page	**977**	**72**	**(1,049)**
Adjustment primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	**(32)**	**-**	**32**
Adjustments involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 45)	**3,337**	**-**	**(3,337)**
Employers pensions contributions and direct payments to pensioners payable in the year	**(2,483)**	**-**	**2,483**
Adjustments primariliy involving the Collection Fund Adjustment Account			
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**137**	**-**	**(137)**
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in	**887**	**-**	**(887)**
Adjustment primarily involving the Accumulated Absences Account			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(33)**	**-**	**33**
TOTAL ADJUSTMENTS	**2,790**	**72**	**(2,862)**

9. TRANSFER TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance at 31st March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31st March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31st March 2020
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
New Homes Bonus	**4,284**	(174)	0	**4,110**	(641)	658	**4,127**
Capital Programme	**717**	(265)	0	**452**	0	1,891	**2,343**
Business Rates Retention Scheme	**1,038**	(821)	1,471	**1,688**	(1,490)	2,243	**2,441**
Contingency Fund	**2,935**	(1,049)	536	**2,422**	(574)	25	**1,873**
Debt Repayment	**701**	(286)	1,370	**1,785**	(272)	0	**1,513**
Housing Benefits	**246**	(23)	84	**307**	0	14	**321**
Planning Reserve	**361**	(161)	0	**200**	0	65	**265**
New Burdens	**196**	(31)	56	**221**	(27)	69	**263**
Building Control Fee Earning	**243**	(10)	0	**233**	0	23	**256**
Other Reserves (see note below*)	**375**	(143)	38	**270**	(42)	14	**242**
Insurance Fund	**228**	0	0	**228**	0	0	**228**
Licensing Income Volatility	**109**	(76)	134	**167**	(66)	96	**197**
Professional Reserve	**147**	0	37	**184**	(36)	45	**193**
Leisure Pensions	**0**	(19)	200	**181**	(62)	73	**192**
IT Equipment	**200**	(4)	0	**196**	(8)	0	**188**
Stronger Towns Fund	**0**	0	0	**0**	0	162	**162**
Housing Options Fund	**167**	(26)	0	**141**	(26)	21	**136**
Car Park Maintenance	**181**	(35)	0	**146**	(25)	0	**121**
Local Strategic Partnership	**87**	0	0	**87**	0	0	**87**
Planning Reserve (Ringfenced)	**51**	(112)	190	**129**	(178)	127	**78**
Lesiure Management	**0**	0	0	**0**	0	76	**76**
Selective Licensing Reserve	**22**	0	39	**61**	0	6	**67**
Safer & Active Communities	**51**	0	0	**51**	0	0	**51**
Prevention Violent Extremism	**51**	0	0	**51**	0	0	**51**
Homelessness Reduction Act	**120**	(182)	163	**101**	(232)	179	**48**
DFG Payment Fund	**4**	0	34	**38**	(1)	8	**45**
Staffordshire Waste Partnership	**4**	0	18	**22**	0	21	**43**
Budget Carry Forward	**14**	(14)	57	**57**	(57)	7	**7**
Elections	**67**	(5)	45	**107**	(122)	15	**0**
Neighbourhood Working Fund	**51**	(17)	10	**44**	(44)	0	**0**
	12,650	**(3,453)**	**4,482**	**13,679**	**(3,903)**	**5,838**	**15,614**

Further information in relation to the most significant reserves is described below.

New Homes Bonus: Funding set aside as part of the approved Medium Term Financial Strategy.
Capital Programme: Set aside to support the capital programme.
Business Rate Retention Scheme: Held against the known risks associated with income volatility from the Business Rates Retention Scheme. This volatility arises due to appeals, reliefs and government changes that are outside of the Council's control.
Contingency Fund: To support one-off non-recurring items as part of the Medium Term Financial Strategy.
Debt Repayment Reserve: Held as part of the Medium Term Financial strategy to reduce debt and deliver ongoing savings to the revenue budget.

***Other Reserves** (£0.2m): holds reserves with a balance of less than £40k value as at 31st March and movement of less than £40k during 2019/20. This has resulted in an amendment to the comparator figures.

10. OTHER OPERATING EXPENDITURE

	2019/20	2018/19
	£'000	£'000
Parish Council Precepts	**1,176**	1,125
Parish Council Tax Support Grant	**59**	65
Gains / losses on disposal of non current assets	**(262)**	(94)
	973	1,096

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20	2018/19
	£'000	£'000
Interest payable and similar charges	**578**	582
Interest element of finance leases	**16**	30
Gain/Loss from financial instruments	**(126)**	(128)
Revised Impairment of financial instruments	**(11)**	3
Net Pension Interest Expense	**1,470**	1,416
Interest receiveable and similar income	**(321)**	(257)
Income and expenditure in relation to investment properties and changes in their fair values (note 14)	**(77)**	(904)
Gain/Loss on Trading Accounts (note 35)	**108**	93
	1,637	835

12. TAXATION AND NON SPECIFIC GRANT INCOME/EXPENDITURE

	2019/20	2018/19
	£'000	£'000
Council tax income	**(8,103)**	(7,800)
Non domestic rates income	**(24,302)**	(20,542)
Business Rates Tariff	**18,610**	18,193
Revenue support grant	**0**	(383)
New Homes Bonus	**(1,830)**	(1,648)
Small Business Rate Relief	**(1,394)**	(1,370)
Business Rates Compensation Grant	**(454)**	(140)
Business Rates Levy Account Surplus	**(11)**	(48)
Covid-19 General Support Grant	**(56)**	0
	(17,540)	(13,738)

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Constuction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
1st April 2019	28,894	6,278	3,838	2,190	3	3,028	**44,231**
Additions	1,055	56			20		**1,131**
Revaluations recognised in the Revaluation Reserve	433						**433**
Revaluations recognised in the Provision of Services	(828)					(300)	**(1,128)**
Reclassifications						(1,250)	**(1,250)**
Reclassifications of overall nil value	(10)						**(10)**
Disposals to I & E	(40)						**(40)**
31st March 2020	29,504	6,334	3,838	2,190	23	1,478	**43,367**
Depreciation and Impairment							
1st April 2019	(1,434)	(5,004)	(2,226)	(1,797)	0	0	**(10,461)**
Depreciation charge	(511)	(610)	(110)	(12)			**(1,243)**
Revaluation recognised in the Revaluation reserve	702						**702**
Revaluations recognised in the Provision of Services	26						**26**
Reclassifications of overall nil value	10						**10**
Disposal to I & E	2						**2**
31st March 2020	(1,205)	(5,614)	(2,336)	(1,809)	0	0	**(10,964)**
Balance Sheet as at 1st April 2019	**27,460**	**1,274**	**1,612**	**393**	**3**	**3,028**	**33,770**
Balance Sheet as at 31st March 2020	**28,299**	**720**	**1,502**	**381**	**23**	**1,478**	**32,403**

Comparator figures for 2018/19 are shown on the following page.

Movements in 2018/19	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Constuction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
1st April 2018	29,593	6,620	3,838	2,190	1,144	3,392	**46,777**
Additions	174	7					**181**
Revaluations recognised in the Revaluation Reserve	(1,305)						**(1,305)**
Revaluations recognised in the Provision of Services	(458)					(364)	**(822)**
Reclassifications	1,008	72			(1,141)		**(61)**
Reclassifications of overall nil value							**0**
Disposals to I & E	(118)	(421)					**(539)**
31st March 2019	28,894	6,278	3,838	2,190	3	3,028	**44,231**
Depreciation and Impairment							
1st April 2018	(2,461)	(4,527)	(2,064)	(1,745)	0	0	**(10,797)**
Depreciation charge	(548)	(859)	(162)	(52)			**(1,621)**
Reclassifications of overall nil value							**0**
Revaluation recognised in the Revaluation reserve	1,503						**1,503**
Disposal to I & E	72	382					**454**
31st March 2019	(1,434)	(5,004)	(2,226)	(1,797)	0	0	**(10,461)**
Balance Sheet as at 1st April 2018	**27,132**	**2,093**	**1,774**	**445**	**1,144**	**3,392**	**35,980**
Balance Sheet as at 31st March 2019	**27,460**	**1,274**	**1,612**	**393**	**3**	**3,028**	**33,770**

For the purposes of valuation assets are grouped into classes. Assets within a class are valued at the same time. The table below shows the different classes within the asset net book value totals shown in the table above.

	31st March 2020	31st March 2019
	£'000	£'000
Other Land and Buildings:		
Car Parks	**6,072**	7,484
Cemeteries & Crematorium	**295**	208
Changing Rooms	**70**	47
Community Centre	**1,101**	1,038
Leisure	**11,569**	9,342
Misc Property	**5,964**	6,062
Operational Buildings	**2,854**	2,903
Public Conveniences	**373**	376
Vehicles, Plant and Equipment	**720**	1,274
Infrastructure	**1,503**	1,612
Community Assets	**381**	393
Assets Under Construction	**23**	3
Surplus Assets	**1,478**	3,028
	32,403	33,770

Depreciation

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

Other Land and Buildings	10 – 100 years
Vehicles, Plant and Equipment	
Car Park Ticket Machines	15 years
CCTV Cameras	Between 5 and 10 years
Computer Hardware and Software	3 or 5 years
Parking Meters	15 years
Play Equipment	10 years
Recycling Bins	10 years
Others	between 2 and 10 years
Infrastructure Assets	
Bus shelters	15 years
Lighting	10 years
High Street/New Street improvements	50 years
Tree Planting	100 years
Others, including footpaths, traffic calming, Cycle routes etc.	Between 10 and 25 years
Community Assets	
Enhancement of Parks and Open Spaces	10 years
Works of Art and Sculptures	25 or 50 years

Capital Commitments

The Council has £270k in commitments outstanding in relation to capital contracts as at 31st March 2020 (2019 £20k).

Effects of Changes in Estimates

There have been no material changes in estimates during 2019/20.

Revaluations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. All valuations have been undertaken by externally appointed valuers, Goodwins Surveyors Limited, with the exception of an element of the surplus asset value in relation to land off High Street, Burton (also known as Bargates) and land at Dove Way, Uttoxeter (prior to reclassification as an Asset for Sale) which have been valued by Salloway Property Consultants. The basis for valuation is set out in the accounting policies.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
Valued at historical cost	192	720		**912**
Valued at current value as at 1 April				
2019	15,095			**15,095**
2018	4,691			**4,691**
2017	-			**-**
2016	5,703			**5,703**
Valued at current value as at 31 December 2017	69			**69**
Valued at current value as at 1st May 2018	2,548			**2,548**
Valued at current value as at 31 December 2019	-		228	**228**
Valued at current value as at 31 March 2020	-		1,250	**1,250**
Net Book Value at 31 March 2020	**28,298**	**720**	**1,478**	**30,496**
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				**1,503**
Community Assets				**381**
Assets Under Construction				**23**
Net Book Value of Assets at 31 March 2020				**32,403**

Since 1 April 2015, the council's surplus properties are valued in accordance with the fair value hierarchy and have been assessed as level 2 (see note 1 xxiv for explanation of level 2). The valuation technique for surplus properties at level 2 uses a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant.

Covid-19 – Material Valuation Uncertainty

The Council's external valuers provided valuations as at 1st April 2019 for approximately 25% (54% in year) of its operational portfolio measured on a range of valuation bases. For those assets not subject to formal revaluation during the course of 2019/20, the valuer has performed a desk top review to ensure that these assets are not materially misstated from their balance sheet carrying value. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid (see note 3 for further details).

14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.

	2019/20	2018/19
	£'000	£'000
Rental income from investment property	**(736)**	(751)
Direct operating expenses arising from investment property	**40**	94
Revaluation Changes	**619**	(247)
Net (Gain) / Loss	**(77)**	(904)

Movements during the year in relation to Investment Property carrying value are shown in the table below:

	2019/20	2018/19
	£'000	£'000
Balance at start of year	**10,922**	10,577
Additions	**-**	37
Reclassifications from Assets under Construction	**-**	61
Disposals	**-**	-
Net gains/(losses) from fair value adjustments	**(619)**	247
Balance at Year end	**10,303**	10,922

Fair value measurement of investment properties

Fair Value Hierarchy

The council's investment property portfolio has been assessed as either level 2 or level 3 for valuation purposes (see note 1 xxiv for explanation of fair value levels). Details are shown in the tables below:

31st March 2020 Recurring fair value measurements using:	**Quoted prices in active markets for identical assets Level 1**	**Other significant observable inputs Level 2**	**Other significant Unobservable inputs Level 3**	**Fair Value 31st March 2020**
	£'000	£'000	£'000	£'000
Residential	-	-	-	-
Office Units	-	-	341	341
Commercial units	-	148	7,566	7,714
Other	-	2,132	116	2,248
Total	**0**	**2,280**	**8,023**	**10,303**

31st March 2019 Recurring fair value measurements using:	**Quoted prices in active markets for identical assets Level 1**	**Other significant observable inputs Level 2**	**Other significant Unobservable inputs Level 3**	**Fair Value 31st March 2019**
	£'000	£'000	£'000	£'000
Residential	-	-	-	-
Office Units	-	-	346	346
Commercial units	-	80	7,860	7,940
Other	-	2,517	119	2,636
Total	**0**	**2,597**	**8,325**	**10,922**

Transfers between levels of the fair value hierarchy
Transfers have taken place between levels of the fair value hierarchy in 2019/20 in line with changes to the available market information and status of the investment properties concerned. (2018/19 – NIL).

Valuation Techniques used to determine Level 2 and Level 3 Fair Values for Investment Properties:

Significant Observable Inputs – Level 2

The fair value for investment properties at level 2 has been measured using a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant, leading to properties being categorised as level 2 on the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The fair value for investment properties at level 3 has been measured using an income approach taking account available factors such as rent, duration of lease, occupancy and local market conditions. Properties where there is little or no active market are also included here.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques and Process

There has been no change in the valuation techniques used during the year for investment properties.

The fair value of the authority's investment properties is measured annually at each reporting date. All valuations are carried out by an independent external valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters. Further details with regard to investment property valuations and material uncertainties/ estimations following the outbreak of COVID-19 can be found in Note 3.

Reconciliation of Fair Value Measurements (using significant unobservable inputs) Categorised within level 3 of the Fair Value Hierarchy

	2019/20	2018/19
	£'000	£'000
Balance at start of year	**8,325**	**8,017**
Transfer into/(out) Level 3	**(72)**	61
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value.	**(230)**	210
Additions/Disposals	**-**	37
Balance at Year end	**8,023**	**8,325**

Gains or losses arising from changes in fair value of the investment property are recognised in the surplus or deficit on the provision of services – financing and investment income and expenditure line.

Quantitative Information about Fair Value measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31st March 2020 £'000	Valuation Technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Office Units	341	Income	Future rental income/yield	5% -10% (8.3%)	Significant variations in yield will result in a significantly lower or higher fair value
Commercial units	7,566	Income			
Other	114	Income			
Other	2	Market	No active market	n/a	n/a
Total	**8,023**				

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

15. INTANGIBLE ASSETS

The authority 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.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the authority. The useful life assigned to the major software suites used by the authority is generally 5 years.

The carrying amount of these software licences is amortised on a straight line basis. The amortisation of £5k to revenue was charged to the waste management services within the environmental services line in the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

	2019/20 £'000	2018/19 £'000
Balance at start of year		
Gross Carrying amount	**403**	403
Accumulated amortisation	**(392)**	(376)
Net Carrying Amount at start of year	**11**	27
Amortisation for Period	**(5)**	(16)
Net Carrying Amount at end of year	**6**	11

16. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the authority is set out below. Valuations are undertaken, as set out below, with the last valuation dated January 2010.

	Ceramics £'000	Art Work £'000	Civic Regalia £'000	Other £'000	Total Heritage Assets £'000
Cost or Valuation					
Ist April 2010	65	176	60	119	**420**
Additions - 2011/12	0	95	0	0	**95**
Impairment recognised prior to 2018/19	0	(11)	0	0	**(11)**
Additions - 2018/19	0	4	0	0	**4**
Gross Cost/Valuation	65	264	60	119	**508**
Depreciation b/f	(12)	(68)	(10)	(21)	**(111)**
Depreciation in Year	(1)	(8)	(2)	(3)	**(14)**
Cumulative Depreciation	(13)	(76)	(12)	(24)	**(125)**
Net Book Value 31/3/2019	53	196	50	98	397
Net Book Value 31/3/2020	**52**	**188**	**48**	**95**	**383**

Ceramics, Porcelain & Silverware etc.
The authority's collection of ceramics, porcelain work and silverware is reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Art Collection
The authority's art collection includes a number of paintings and bronze figures which are held at both the Town Hall and the Brewhouse as well as a number of sculptures located around the Borough. Paintings are held within the Balance Sheet at insurance valuation, which is based on market values.

These are updated periodically. Sculptures are held within the balance sheet at depreciated historic cost.

Civic Regalia
This includes the mayoral chains, mace and stand. These are reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Other items
This includes other misc items including fifty two leaded window panels of past mayors of the Borough from 1880 – 1975. These items are also reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

Additions
During the course of 2018/19 small scale refurbishment work was undertaken on certain sculptures.

The code requires, where practical, the disclosure of information in relation to these assets for the previous 4 years. This is neither practical nor significant in the context of these accounts.

17. LONG-TERM INVESTMENTS

	2019/20	**2018/19**
	£'000	£'000
Icelandic Investments (long term element)	**0**	10
Other	**3**	3
	3	13

This represents the long term element of the Impaired Icelandic investments. Further details can be found at Note 43.

18. LONG-TERM DEBTORS

These are mortgage advances made to previous Council tenants and private individuals under the Housing Act 1958. In addition, following the winding up of the Kickstart programme, loans to households totalling £162k were transferred to the Council and £73k repayments have been received to date. Transactions for the year are as follows:

	Balance at 1 April £'000	Accrued in Year £'000	Repaid for year £'000	Balance at 31 March £'000
Housing Advances	**20**	0	1	**21**
Yeoman Industrial Estate	**12**	0	(12)	**0**
Kick Start Loan Portfolio	**95**	0	(6)	**89**
Plant, Property and Equipment - Finance Leases	**694**	0	0	**694**
	821	0	(17)	**804**

19. ASSETS HELD FOR SALE

	2019/20 £'000	2018/19 £'000
Balance at 1st April	**0**	0
Property Plant and Equipment reclassifed as held for sale	**1,250**	
Revaluation	**(15)**	
Balance at 31st March	**1,235**	0

The carrying value of the asset has been reduced by the expected costs of disposal on sale completion.

20. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Short-Term	
	31 March 2020 £'000	**31 March 2019** £'000	**31 March 2020** £'000	**31 March 2019** £'000
Financial Assets				
Amortised Cost:				
Investments	**0**	10	**19,870**	15,064
Cash and Cash Equivalents	**-**	**-**	**12,954**	10,625
Total Investments	**0**	10	**32,824**	25,689
Financial assets carried at amortised cost (note 1)	**804**	821	**4,079**	3,941
Total Debtors	**804**	821	**4,079**	3,941
Total Financial Assets	**804**	831	**36,903**	29,630

Note 1 – These exclude statutory amounts relating to the collection fund.

	Long-Term		Short-Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities carried at amortised cost (note 1)	**0**	0	**5,318**	3,590
Total Creditors	**0**	0	**5,318**	3,590
Financial liabilities at amortised cost	**10,662**	10,716	**565**	624
Total Borrowings	**10,662**	10,716	**565**	624
Finance Lease Liabilities	**318**	854	**0**	0
Total other Long Term Liabilities	**318**	854	**0**	0
TOTAL FINANCIAL LIABILITIES	**10,980**	11,570	**5,883**	4,214

Note 1 – These exclude statutory amounts relating to the collection fund.

An analysis of financial liabilities is shown in note 28 – Borrowing.

Income, expense, 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:

	Financial Liabilities		Financial Assets		Total
Financial Assets/Liabilities measured at Amortised Cost	**31st March 2020**	31st March 2019	**31st March 2020**	31st March 2019	**31st March 2020**
	£'000	£'000	£'000	£'000	£'000
Interest expense	**578**	582	**0**	0	**578**
Total expense in surplus or deficit in the provision of services	**578**	582	**0**	0	**578**
Interest income	**0**	0	**(321)**	(257)	**(321)**
Impairment changes	**0**	0	**(11)**	3	**(11)**
Gains on de-recognition	**0**	0	**0**	0	**0**
Total income in surplus or deficit in the provision of services	**0**	0	**(332)**	(254)	**(332)**
Net loss/(gain) for the year	**578**	582	**(332)**	(254)	**246**

Fair Values of assets and liabilities that are not measured at fair Value (but for which fair value disclosures are required)

Financial liabilities and financial assets represented by loans and investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following methodology and assumptions:

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to an instrument from a comparable lender. This is the rate applicable in the market on the date of valuation.

The new borrowing rate, as opposed to the premature repayment rate, has been used for PWLB borrowing. The premature repayment rate includes a margin representing the lender's profit on rescheduling loans, which should not be included in the fair value calculation. For comparison purposes this has been included in a footnote to the table.

Accrued interest has been included in the fair value calculation to provide a comparison with the carrying value on the Balance Sheet.

The rates used in the valuation were obtained by Link Assets Services from the market on 31 March 2020, using bid prices where applicable. There has been no change in the valuation techniques used during the financial year for the financial instruments.

The fair values calculated are as follows:

	31 March 2020		**31 March 2019**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	£'000	£'000	£'000
Financial liabilities	**11,227**	**13,688***	11,340	14,301*

The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.

**The table above shows the fair value of PWLB loan liabilities calculated using the new borrowing rate. By comparison using the premature borrowing rate would give a fair value figure of £15,260m as at 31st March 2020 and £15.192m as at 31st March 2019.*

In respect of investments, the carrying amount/amortised cost is deemed to be a reasonable approximation of the fair value.

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

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31st March 2020 Other significant observable inputs (Level 2) £'000	31st March 2019 Other significant observable inputs (Level 2) £'000
Financial Liabilites held at amortised cost		
Loans and borrowings	**13,688**	14,301
Finance lease liabilities	**318**	854
	14,006	15,155

21. FINANCIAL INSTRUMENTS RISKS

Nature of Risks

The Council's activities expose it to a variety of financial risks, with the key risks being:

- 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;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in factors such as interest rate movements.

Procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

The Council meeting of 25th February 2019 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2019/20. Actual performance for 2019/2020 is reported in the Annual Treasury Management Report submitted to Council in June 2020.

The Council maintains documented principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These are included in Treasury Management Practices which are a requirement of the Code and are reviewed annually.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers i.e. outstanding debtors. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website. Deposits are not made with banks and financial institutions unless they meet the minimum requirements and do not exceed the limits set in the investment criteria outlined in the Annual Investment Strategy 2019/2020.

The Council uses the creditworthiness service provided by Link Assets Services. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and Standard Poor's, 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
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The strategy recognises only institutions in Countries with an 'AA' sovereignty weighting, with the UK being the only exception, and reviews all ratings on a regular basis, removing those counterparties that no longer meet the criteria.

The table below highlights all short-term investments held at the 31st March 2020.

Balance Sheet 31st March 2019 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2020 £
1,008,329	Lloyds	2,500,000	9,839	2,509,839
2,513,640	Bank Of Scotland	500,000	5,183	505,183
3,014,061	National Westiminster Bank (RFB)	5,000,000	14,818	5,014,818
8,524,000	UK Treasury	4,830,000	-	4,830,000
0	Nationwide Building Society	2,000,000	3,590	2,003,590
0	Lloyds Notice Account	1,000,000	-	1,000,000
0	Santander Notice Account	3,500,000	-	3,500,000
0	Bank Of Scotland Notice Account	500,000	-	500,000
3,982	Icelandic Investments (Short Term Element)	6,456	-	6,456
15,064,012	**Total**	**19,836,456**	**33,430**	**19,869,886**

Other deposit account investment balances held within the Balance Sheet as cash equivalents are as follows:

Balance Sheet 31st March 2019 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2020 £
0	Barclays	73	-	73
630,674	Royal Bank of Scotland	112,958	-	112,958
3,175,000	Insight Money Market Fund	4,000,000	-	4,000,000
3,575,000	Aberdeen Money Market Fund	4,000,000	-	4,000,000
4,000,000	Federated Money Market Fund	4,000,000	-	4,000,000
0	Blackrock Money Market Fund	750,000	-	750,000
11,380,674	**Total**	**12,863,031**	**0**	**12,863,031**

Further information relating to financial assets that have been impaired (Icelandic Investments) can be found in notes 43.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, and whilst the Covid-19 Pandemic has created heightened volatility in the markets there was no evidence at the 31 March 2020 that this was likely to crystallise.

Amounts arising from Expected Credit Losses

Investments – Amortised Cost
The Council's Investments (as set out in the tables above) have been classified as Financial Assets at Amortised Cost. Based on historical loss model the expected credit loss is de minimis as at 31st March 2019 and 2020 (i.e. less than £3k).

Debtors/Trade Receivables
In relation to customers the simplified approach has been adopted to calculating the expected credit losses. This amounts to £0.106m as at 31st March 2019 and £0.103m as at 31st March 2020 (after excluding allowances for statutory Housing Benefits).

Credit Risk Exposure

The authority has the following exposure to credit risk at 31st March 2020:

Investments/Cash Equivalents

No significant expected credit losses are expected in respect of the majority of these assets, the exception being the remaining balance in relation to the Icelandic bank investments which is set out in more detail at note 43. The risk categories are based on the Link Asset Management credit worthiness methodology, as approved as part of the Annual Treasury Management and Investment Strategy.

Gross Carrying Amount 31st March 2019 £'000	Credit Risk Rating	Gross Carrying Amount 31st March 2020 £'000
19,287	Yellow - Up to 5 Years	17,580
2,876	Blue - Up to 1 year	5,244
3,522	Orange - Up to 1 Year	4,500
-	Red - Up to 6 months	5,500
16	No rating*	3
25,701		**32,827**
	Balance Sheet:	
12	Long Term Investments	3
15,064	Short Term Investments	19,870
10,625	Cash and Cash Equivalents	12,954
25,701		**32,827**

*this largely relates to the Icelandic investment outstanding which has largely been impaired – further details set out at note 43

Debtors/Trade Receivables

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The table below demonstrates the outstanding amounts. The simplified approach to credit losses as been applied in respect of these amounts, with allowance for credit losses amounting to £0.103m.

Gross Carrying Amount 31st March 2019 £'000	Credit Risk Rating (based on age)	Gross Carrying Amount 31st March 2020 £'000
1,705	Public Sector	2,994
687	Less than 30 days	603
56	30 - 89 days	32
4	90 - 149 days	32
83	150 - 365 days	39
44	Greater than 1 year	68
2,579		**3,768**

Non-financial assets that have been excluded above include statutory debtors in relation to the collection fund (Council tax and NNDR) totalling £0.951m (£1.150m at 31st March 2019) and also housing benefits of £1.933m (£1.991m as at 31st March 2019), net of allowances for impairment.

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 Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the 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 significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

Re-financing Risk

This risk relates to both the maturing of longer term financial assets and financial liabilities. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for longer than one year are the key parameters used to address this risk.
Operational risks are addressed within the approved parameters which include:

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

The maturity analysis of financial liabilities is shown in note 28.

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

According to this assessment strategy, at 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) this would not have a significant impact upon the accounting statements.

The Council has no financial assets or liabilities denominated in foreign currencies.

22. STOCKS / INVENTORIES

Stock balances at the end of each year are as follows:

	31 March 2019	**Expenses**	**Drawn Down**	**31 March 2020**
	£'000	£'000	£'000	£'000
Fuel	28	310	(311)	27
Other Stock Items	71	200	(174)	97
	99	**510**	**(485)**	**124**

23. DEBTORS

	Note	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due in one year -			
HMRC		**121**	178
Other Government Departments	a	**1,071**	773
Local Authorities		**843**	753
Collection Fund	b	**1,965**	1,768
Other Sundry Debtors	c	**5,183**	4,436
		9,183	7,908
Provision for bad debts	d	**(2,632)**	(2,295)
		6,551	5,613

Notes

a) Reflect increases in grant income relating to NNDR, flood relief and neighbourhood planning.

b) Collection Fund debtors include the authority's share of Council Tax and Business Rates Arrears.

c) Includes a section 106 payment of £0.959m with conditions outstanding in 2019/20.

d) The provision for bad debts includes £1.619m (£1.676m in 2018/19) relating to general customer accounts and housing benefit overpayments, £0.408m (£0.260m in 2018/19) relating to the authority's share of outstanding Council Tax and £0.605m (£0.359m in 2018/19) relating to the authority's share of outstanding Business Rates.

24. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2020 £'000	31 March 2019 £'000
Bank current accounts	**91**	(756)
Investment deposit accounts	**12,863**	11,381
Short term deposits of less than one month	**0**	0
	12,954	10,625

25. CONSTRUCTION CONTRACTS

At 31st March 2020 the council had £0.868m of construction contracts in progress (£0.020m as at 31st March 2019).

26. CREDITORS

	Note	31 March 2020	31 March 2019
		£'000	£'000
HMRC	a	**151**	145
Other Government Departments	b	**4,687**	5,234
Amount due to Precepting Authorities	c	**3,804**	933
Other Local Authority Creditors	d	**478**	1,230
Collection Fund	e	**638**	820
Other Sundry Creditors	f	**4,630**	2,200
		14,388	10,562

Notes

a) Amounts due in relation to Income Tax, National Insurance and the Apprentice Levy.
b) Amounts due to central government have reduced in line with the lower contribution payable under the 75% Business Rates pilot, offset by 2020/21 Business Rates Relief grants received in 2019/20.
c) Amounts due to precepting authorities have increased in line with the higher contribution to Staffordshire County Council under the Business Rates pilot.
d) Reduced following the end of the Business Rates Pooling arrangement with Birmingham City Council.
e) Reflects the authority's share of business rates and council tax held in advance or owing to rate payers.
f) Other sundry creditors have increased in 2019/20 to include Section 106 sums due within one year and the final Housing Benefits payment run for 2019/20.

27. PROVISIONS

The following table provides a list of provisions the authority has made at the end of the financial year:

	Note	31st March 2019 £'000	Provisions Made £'000	Provision Reversed £'000	Amounts used £'000	31st March 2020 £'000
West Midlands Pensions	a	22	-	-	(3)	**19**
Business Rates	b	3,033		(773)	(194)	**2,066**
Leisure Pensions	c	19	62	-	-	**81**
		3,074	62	(773)	(197)	**2,166**

a) W M Pensions Liability
The Council has a liability to contribute towards the pension cessation liability associated with West Midlands Councils.

b) Business Rates Appeals/Relief
This represents the council's share of a provision for appeals against the individual businesses rateable value that have or it is anticipated will be lodged with the Valuation Office (£2.066m as at 31st March 2020). The equivalent figure at 31st March 2019 was £2.711m plus an additional provision in relation to claims from NHS Trusts for Mandatory Relief of £0.322m (this has not been provided for as at March 2020 following the successful outcome of the case, although this is subject to appeal).

c) Leisure Pension Provision
The Council transferred the delivery and operation of leisure services to a third party provider in February 2019. Under these arrangements the new provider will be an admitted body to the Local Government Pension Scheme. The contractual arrangements mean that the Council will be acting as guarantor for a number of risks associated with the pension liabilities. The level of this risk has been assessed as at the 31st March 2020 and a provision has been made.

28. BORROWING

	As at 31 March 2020	As at 31 March 2019
Long Term	£'000	£'000
Analysis of Loans by Type		
Public Works Loan Board	**6,162**	6,216
Money Market - LOBOs	**4,500**	4,500
Other Loans	**0**	0
Total Long Term Borrowing	**10,662**	10,716
Analysis of Loans by Maturity		
Maturing in 1-2 Years	**56**	53
Maturing in 2-5 Years	**178**	173
Maturing in 5-10 Years	**6,771**	6,798
Maturing in 10-15 Years	**3,657**	3,692
Maturing in more than 15 Years	**0**	0
	10,662	10,716
Short Term		
Public Works Loan Board	**153**	160
Other Loans	**412**	464
Total Short Term Borrowing	**565**	624

29. USABLE RESERVES

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. Further narrative context is set out below:

General Fund Balance
This is a working balance held against unforeseen events and represents approximately 2% of gross expenditure.

Earmarked Reserves
These are reserves held by the authority for specific purposes and further detailed information is set out within note 9 to these accounts.

Capital Receipts
The Council receives receipts following the agreement to sell its long term assets. These are held within the capital receipts reserve and applied to relevant capital expenditure or repayment of debt in accordance with the approved capital programme and Medium Term Financial Strategy.

30. UNUSABLE RESERVES

A breakdown of the unusable reserves is set out in the following tables:

	Note	31 March 2020 £'000	31 March 2019 £'000
Revaluation Reserve	a	**6,290**	5,262
Capital Adjustment Account	b	**23,810**	24,847
Financial Instruments Adjustment Account	c	**(184)**	(215)
Pensions Reserve	d	**(47,240)**	(61,460)
Deferred Capital Receipts Reserve	e	**110**	115
Collection Fund Adjustment Account	f	**2,572**	971
Accumulated Absences Account	g	**(167)**	(162)
		(14,809)	(30,642)

(a) Revaluation Reserve

This was established with an opening balance of zero in 2007/08. The Reserve records as a credit the accumulated gains on the Property, Plant and Equipment held by the Council, arising from increases in value as a result of inflation or other factors. The Reserve is debited with amounts equal to depreciation charged on the revalued part of each asset, or where greater their impairment value and with the carrying amount of any asset sold or otherwise disposed of.

	2019/20 £'000	2018/19 £'000
Balance Brought Forward	**5,262**	5,218
Revaluation of Fixed Assets	**1,135**	198
In Year Fixed Asset Disposals	**(33)**	(34)
Depreciation of Revaluation Gains	**(74)**	(120)
Balance as at 31st March	**6,290**	5,262

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the authority as financing towards the costs.

The account also contains accumulated gains and losses on Investment Properties. In addition, the account also contains accumulated revaluation gains on Property, Plant and Equipment, before the Revaluation Reserve was created.

	2019/20	2018/19
	£'000	£'000
Balance Brought Forward	24,847	25,732
Capital Financing		
Usable Capital Receipts	295	120
Revenue	0	168
Grants and Contributions	810	253
Debt repayment from capital receipts	225	125
Reversal of Items debited or credited to Comprehensive Income and Expenditure Statement		
Depreciation and Impairment of Fixed Assets	(1,256)	(1,634)
Revaluation Losses on Plant, Property and Equipment	(1,117)	(823)
Amortisation of Intangible Assets	(5)	(16)
Statute	(973)	(319)
Minimum Revenue Provision	894	925
Voluntary Set-aside for repayment of debt	640	-
Movements in market value of investment properties	(619)	247
Gain or loss Disposal of Fixed Assets	(38)	(85)
Other Movements		
Revaluation Reserve - Depreciation	74	120
Revaluation Reserve - Asset Disposal	33	34
Balance as at 31st March	23,810	24,847

(c) Financial Instrument Adjustment Account

This account holds the deferred cost of premiums incurred following the restructuring of debt. The balance is charged to the general fund balance within the Movement in Reserves Statement and is detailed in note 8 to the accounts.

	31 March 2019	**Movements**	**31 March 2020**
	£'000		£'000
Deferred Premia	(215)	**31**	**(184)**
Total	(215)	**31**	**(184)**

d) Pensions Reserve

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

	31 March 2020	**31 March 2019**
	£'000	£'000
Balance at 1 April	**(61,460)**	(54,041)
Actuarial gains and (losses) on pensions assets and liabilities	**16,377**	(6,565)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	**(4,477)**	(3,337)
Employers pension contributions and direct payments to pensioners payable in year	**2,320**	2,483
Balance at 31st March	**(47,240)**	(61,460)

e) Deferred Capital Receipts Reserve

Deferred capital receipts are amounts derived from the sale of assets or from advances made to other bodies, which will be received or be repayable in instalments over agreed periods of time. They mainly arise from mortgages on the sale of council houses and loans inherited from the now defunct Kickstart scheme, which are shown as long-term debtors on the asset side of the Balance Sheet.

	31 March 2020	**31 March 2019**
	£'000	£'000
Balance at 1 April	**115**	125
Transfer to the Capital Receipts Reserve upon receipt of cash	**(5)**	(10)
Balance at 31st March	**110**	115

f) Collection Fund Adjustment Account

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

	31 March 2020 £'000	31 March 2019 £'000
Balance at 1 April	**971**	1,995
Amount by which council tax income collected to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(43)**	(137)
Amount by which business rates income collected to the Comprehensive Income and Expenditure Statement is different from business income calculated for the year in accordance with statutory requirements	**1,644**	(887)
Balance at 31st March	**2,572**	971

g) Accumulated Absences Account

The 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.

	31 March 2020 £'000	31 March 2019 £'000
Balance at 1 April	**(162)**	(195)
Cancellation of accrual made at end of preceding year	**162**	195
Amounts accrued at the end of the current year	**(167)**	(162)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(5)**	**33**
Balance at 31st March	**(167)**	(162)

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Adjustments made to the Net Surplus or deficit on the Provision of Services for non-cash and other movements not relating to operating activities are as follows:

	31 March 2020	31 March 2019
	£'000	£'000
Depreciation	**(1,256)**	(1,634)
Impairment and downward revaluations	**(1,117)**	(823)
Amortisation	**(5)**	(16)
Increase/ (decrease) in debtors	**1,170**	(252)
(Increase)/decrease in creditors	**(948)**	477
Increase/(decrease) in stock	**25**	(24)
Pension liability	**(3,305)**	(1,874)
Carrying amount of non-current assets sold	**(38)**	(85)
Increase/decrease in other provisions	**908**	(878)
Increase/decrease in value of investment properties	**(619)**	247
Icelandic Interest/impairment	**11**	2
Adjustment for non-cash movements	**(5,174)**	**(4,860)**
Capital grants credited to income and expenditure account	**1,171**	**306**
Net adjustment from sale of long and short term investments	**108**	**136**
Proceeds from sale of Property, plant and equipment	**299**	**191**
Adjustment for investing and financing activities	**1,578**	**633**

The Cash flows for operating activities include the following items:

	31 March 2020	31 March 2019
	£'000	£'000
Interest received	**(321)**	(220)
Interest paid	**578**	581
Total	**257**	361

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31 March 2020	31 March 2019
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	**645**	382
Purchase of short term and long term investments	**76,055**	44,547
Proceeds from sale of short term and long term investments	**(71,268)**	(46,938)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(43)**	(191)
Other capital receipts	**(255)**	(136)
Other grants and contributions received	**(3,187)**	(1,692)
Total	**1,947**	(4,028)

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	31 March 2020	31 March 2019
	£'000	£'000
Cash receipts of short and long term borrowing	**0**	(1,000)
Cash payments for the reduction of outstanding liabilites relating to finance leases	**536**	524
Repayments of short and long term borrowing	**111**	1,060
Net (inflow)/outflow from NNDR collected and payable to the authorities	**(924)**	7
Net (inflow)/outflow from Council Tax collected and payable to the preceptors	**(236)**	830
Total	**(513)**	**1,421**

34. RECONCILATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019/20	1st April 2019 £'000	Repayments £'000	Acquistion £'000	Non Cash Changes £'000	31st March 2020 £'000
Long Term Borrowings	**10,716**	**0**	**0**	**(54)**	**10,662**
Short Term Borrowings	**624**	**(111)**	**0**	**52**	**565**
Lease Liabilities	**854**	**(536)**	**0**	**0**	**318**
Total	**12,194**	**(647)**	**0**	**(2)**	**11,545**

2018/19	1st April 2018 £'000	Repayments £'000	Acquistion £'000	Non Cash Changes £'000	31st March 2019 £'000
Long Term Borrowings	**10,776**	**-**	**-**	**(60)**	**10,716**
Short Term Borrowings	**625**	**(1,060)**	**1,000**	**59**	**624**
Lease Liabilities	**1,378**	**(524)**	**-**	**-**	**854**
Total	**12,779**	**(1,584)**	**1,000**	**(1)**	**12,194**

35. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent during 2019/20, generating rental income from the letting of stalls. Their financial results are set out below:

2018/19				2019/20		
Exp £'000	Income £'000	Deficit £'000		Exp £'000	Income £'000	Deficit £'000
267	(174)	93	Market Undertakings	284	(176)	108
267	**(174)**	**93**		**284**	**(176)**	**108**

36. EXTERNAL AUDIT SERVICES

Fees payable to Grant Thornton for external audit and inspection were:

	2019/20 £'000		2018/19 £'000
Code of Practice Audit	**42**	#	38
Certification of Grant Claims and Returns	**12**		12
	54		50

In addition, the Council also received a refund of £4k from Public Sector Audit Appointments during the course of 2019/20.

The 2019/20 figure of £42k includes an additional fee of £4.5k increased audit work on the 2018/19 accounts for predominately sector wide issues, such as the Pensions McCloud judgement and more in depth work required by the regulator.

The external audit fees expected to be payable in 2020/21 in relation to the 2019/20 code of practice audit amount to £45k, with a further £12.5k in relation to the certification of grant claims.

37. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year. In 2019/2020 a total of £267,600 was paid in allowances. In addition other expenses reimbursed by the Council including travel and subsistence totalled £5,102. Comparative figures for 2018/2019 were £279,095 and £3,457 respectively.

38. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31 March 2020 was £50,000 or more, excluding employers' pension contributions, in £5,000 bands is set out in the table below.

Since 2010 the authority has undertaken significant management restructuring exercises, which has generated significant on-going savings. As a result of this there are 6 ongoing posts attracting salaries above £50,000. This includes the Chief Executive, Heads of Service, the Monitoring Officer, the ICT Manager and the Chief Accountant. In addition to which, as a result of a restructuring exercise during 2019/20 the table includes the Shared Service Centre Team Leader (Professional Services) position, which has now been deleted. The 2019/20 table also includes the Communities, Open Spaces and Facilities Manager as a result of one-off payments (honoraria) made during the year. The number of employees within the bandings for 2018/19 included the Corporate and Commercial Manager in respect of one-off payments (lieu time).

Remuneration Band	**2019/20** Total Number of Employees	**2019/20** Of which, Employees leaving during 2019/20	**2018/19** Total Number of Employees	**2018/19** Of which, Employees leaving during 2018/19
£50,000 - £54,999	**2**		2	
£55,000 - £59,999	**1**		1	
£60,000 - £64,999				
£65,000 - £69,999	**2**	**1**	1	
£70,000 - £74,999				
£75,000 - £79,999				
£80,000 - £84,999				
£85,000 - £89,999			1	
£90,000 - £114,999	**2**		1	
£115,000 - £119,999				
£120,000 - £124,999				
£125,000 - £179,999	**1**		1	
£180,000 - £184,999				
	8	**1**	7	0

Further details in relation to Senior Officers' remuneration are outlined within the tables below. This information is in accordance with statutory regulations which came into effect from 31st March 2010 and includes comparator information for 2018/19. The definition used to determine Senior Officers has been taken from the Audit and Accounts Regulations which reference the Local Government and Housing Act 1989, and for this authority includes the Chief Executive and Heads of Service.

Detailed Information of Senior Officers Remuneration – 2019/20

The authority has generated significant ongoing savings through a management re-structuring in recent years. Benefits in Kind figures represent car allowance and mileage payments made to officers using cars to drive for business need. In addition, these figures include costs associated with the car leasing scheme, whereby officers have sacrificed salary in terms of their entitlement to incremental grade progression.

Post holder information	Salary (including fees & allowances) 2019/20	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2019/20	Pension contributions	Total Remuneration including pension contributions 2019/20
Current Senior Management Roles*	**£**	**£**	**£**	**£**	**£**
Chief Executive	128,609	4,766	133,375	19,549	152,924
Head of Service - Sal Khan	91,605	4,466	96,071	13,924	109,995
Head of Service - Mark Rizk	91,605	730	92,335	13,924	106,259

Detailed Comparative Information of Senior Officers Remuneration – 2018/19

Post holder information	Salary (including fees & allowances) 2018/19	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2018/19	Pension contributions	Total Remuneration including pension contributions 2018/19
Current Senior Management Roles*	**£**	**£**	**£**	**£**	**£**
Chief Executive	129,861	4,731	134,592	19,739	154,331
Head of Service - Sal Khan	89,906	5,720	95,626	13,666	109,292
Head of Service - Mark Rizk	87,252	632	87,884	13,262	101,146

*The senior management roles in 2018/19 included a temporary annual honoraria payment of £5,000 as part of the interim management arrangements following the departure of a Head of Service in 2016/17. During 2019/20 and following review the Heads of Service honoraria has now been incorporated into their Annual Salary, with the Chief Executive voluntarily choosing not to continue receiving this payment.

39. GRANT INCOME

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement including:

	2019/20 £'000	2018/19 £'000
Credited to Taxation and non Specific Grant Income		
Revenue Support Grant	**0**	(383)
Business Rates - Reliefs - Compensation	**(454)**	(140)
New Homes Bonus	**(1,830)**	(1,648)
Small Business Rate Relief	**(1,394)**	(1,370)
Business Rates Levy Account Surplus	**(11)**	(48)
COVID 19 General Support Grant	**(56)**	0
Credited to Services		
NNDR Collection Grant	**(173)**	(175)
Housing Benefits Administration Grants	**(451)**	(491)
Housing and Council Tax Benefits Subsidy	**(21,179)**	(24,272)
New Burdens Grant	**(156)**	(163)
Disabled Facilities Grant	**(581)**	(253)
Other Capital Grants Conditions Met	**(229)**	0
Homelessness Grants	**(260)**	(187)
Stronger Towns Fund	**(162)**	0
Flood Recovery Framework Grant	**(91)**	0
Independent Electoral Registration Grant	**(10)**	(11)
Other Grants	**(4)**	0
	(27,041)	(29,141)

The authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver if these conditions are not met. The balances at year end are as follows:

	31st March 20 £'000	31st March 19 £'000
Growth Point	**654**	883
Regional Housing Grant	**207**	207
Section 106 - Developers Deposits	**4,311**	4,097
Disabled Facilities Grant	**1,331**	890
Others	**4**	4
	6,507	6,081

40. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, and include members, chief officers and close family members of the same household as these individuals. 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 authority.

Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework, within which the council operates, provides a significant proportion of its funding in the form of grants and prescribes the term of many of the transactions that the authority has with other parties (i.e. council tax bills and housing benefits). Grants received from government departments are set out in note 39, with sums due to or from central government set out within the debtors and creditors notes – 23 and 26 respectively.

Members and Officers

Declarations under section 81 of the Local Government Act 2000 and under the Local Authorities (Model Code of Conduct) (England) Order 2001 are made by members. In addition, members and officers make annual disclosures of their interests to the Council's Monitoring Officer for inclusion in the Register of Members and Officers Interests. Members have to make declarations on individual committee agenda items. Finally a separate declaration has been returned at year-end by members and chief officers.

Based on these key data sources, no material related party transactions have been identified for 2019/2020 amongst either Members or Chief Officers.

A number of Councillors serve on, or have interests in the following outside bodies which receive or have received some form of financial support from the Council:

2019/2020	**2018/2019**
Burton Amateur Boxing Club	East Staffordshire Sports Council
Carver Road Community Centre	
East Staffordshire Sports Council	
Waterside Community Centre	

Financial support for the above bodies totalled £0.010m for 2019/2020 compared to £0.007m for 2018/2019.

In addition a number of councillors and officers serve on the following outside bodies, which have some financial dealings with the Council:

2019/2020	**2018/2019**
	Age UK
Carver Road Community Centre	Burton Albion Community Trust
Uttoxeter Heath Community Centre	Carver Road Community Centre
Uttoxeter Leisure & Development Co Ltd	Ellastone Tennis Club
Waterside Community Centre	Queen Street Community Centre
	Sexual Abuse and Rape Advice Centre (SARAC)
	Uttoxeter Heath Community Centre
	Waterside Community Centre

Payments made to the above bodies in 2019/2020 totalled £0.002m, with receipts being £0.028m. This compares to payments of £0.018m and receipts of £0.004m for 2018/2019.

During 2019/20 payments of £9.872m were made to Trent and Dove Housing Ltd in respect of housing benefit compared to £11.048m for 2018/2019. There was £0.011m receipts in 2019/20 compared to no receipts in 2018/19.

A contribution of £0.959m has also been made to Trent and Dove Housing Ltd during the year from Section 106 funding towards the development of an Affordable Housing Scheme in the Borough.

41. CAPITAL EXPENDITURE AND FINANCING

The table below demonstrates that there has been a decrease in the capital financing requirement of £0.78m. The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred.

	2019/20	2018/19
	£'000	£'000
Opening Capital Financing Requirement	**15,824**	16,896
Capital Investment:		
Property, Plant and Equipment	**1,131**	181
Heritage Assets		4
Investment Properties		37
Revenue Expenditure Financed from Capital Under Statute	**973**	319
Sources of Finance:		
Capital Receipts	**(295)**	(120)
Capital Grants	**(810)**	(253)
Revenue/Reserves	**0**	(168)
Minimum Revenue Provision	**(894)**	(925)
Debt Repayment from Capital Receipt	**(225)**	(125)
Voluntary Set Aside	**(640)**	-
Increase/(Reduction) in Long-term Debtors	**(17)**	(22)
Closing Capital Financing Requirement	**15,047**	15,824
EXPLANATION OF MOVEMENTS IN YEAR		
In year Debt Repayment	**(1,776)**	(1,072)
Increase/(Decrease) in underlying need to borrow	**999**	-
	(777)	(1,072)

42. FINANCE AND OPERATING LEASE RENTALS

Authority as Lessee

Finance Leases

The assets acquired under finance leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	2019/20	2018/19
	£'000	£'000
Property, Plant and Equipment	**303**	823
	303	823

Depreciation in relation to these finance leases which is included within the Comprehensive Income and Expenditure Statement amounts to £519,936 (£519,936 in 2018/19).

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

	2019/20	2018/19
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)	**318**	854
Finance costs	**4**	21
Minimum Lease Payments	**322**	875

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	2019/20	2018/19	**2019/20**	2018/19
	£'000	£'000	**£'000**	£'000
Not more than one year	**322**	553	**318***	537
later than one year and not later than five years	**-**	322	**0**	317*
Later than five years		-		-
	322	875	**318**	854

Contingent rents incurred during the period amount to £0 (£0 – 2018/19)

Operating Leases

The authority has acquired a small number of vehicles and properties under operating leases.

Future minimum lease payments due under non-cancellable leases in future years are as follows:

	2019/20	2018/19
	£'000	£'000
Not more than one year	**187**	248
later than one year and not later than five years	**216**	326
Later than five years	**945**	995
	1,348	1,569

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2019/20 this amounted to £267,768 (comparator figure for 2018/19 - £297,481).

Authority as Lessor

Finance Leases

The authority has leased out property at Branston Golf Course and Uttoxeter Racecourse on long term finance leases of 125 and 200 years respectively.

The authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2019/20	**2018/19**
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)	**693**	693
Unearned finance income	**7,674**	7,734
Gross investment in the lease	**8,367**	8,427

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		**Finance Lease Liabilities**	
	2019/20	**2018/19**	**2019/20**	**2018/19**
	£'000	£'000	**£'000**	£'000
Not more than one year	**61**	61	**61**	61
later than one year and not later than five years	**244**	244	**244**	244
Later than five years	**8,062**	8,122	**7,369**	7,429
	8,367	8,427	**7,674**	7,734

There were no contingent rentals receivable for the period.

Operating Leases

The authority leases out property under operating leases for the generation of income to support the budget.

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

	2019/20	2018/19
	£'000	£'000
Not more than one year	**389**	394
later than one year and not later than five years	**631**	899
Later than five years	**4,885**	4,981
	5,905	6,274

The future minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Income receivable in relation to operating leases was £510,855 in 2019/20 (£529,558 in 2018/19) and this has been included within the Comprehensive Income and Expenditure Statement.

43. IMPAIRMENT LOSSES

Impairment of Plant, Property and Equipment

There were no impairment losses during 2019/20 or during 2018/19.

Impairment of Investments

Background

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Deposit Date	Maturity	Amount (£)	Interest
KSF	08/09/2008	08/10/2008	2,000,000	5.41%
Landsbanki	01/09/2008	02/01/2009	1,000,000	5.87%
Landsbanki	01/08/2008	02/02/2009	1,000,000	6.05%
Landsbanki	01/08/2008	02/03/2009	1,000,000	6.00%

The Council sold its Landsbanki claims in 2013/14, recovering £2.8m in total. The administration process in relation to KSF continues.

Position at 31st March 2020: Kaupthing Singer and Friedlander Ltd

The Council has received £1.741m of repayments between 2009/10 & 2019/20, demonstrating that the vast majority (86.67%) of the original sums have now been recovered. The authority considers that it appropriate to make an impairment adjustment for the deposits. Based on the latest information the level of impairment shown within the 2018/19 accounts as been adjusted downwards by £0.011m, as shown within the table below:-

Bank	Original Deposit £'000	2018/19 Carry Amount £'000	2018/19 Impairment £'000	Repayments £'000	2019/20 Carry Amount £'000	2019/20 Impairment £'000
KSF	2,000	14	263	1,741	7	252
	2,000	**14**	**263**	**1,741**	**7**	**252**

The impairment loss shown within the accounts of £0.252m has been calculated by discounting the assumed cash flows at the effective interest rate of the deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will continue to be made in future years in light of the most recent information.

At the time the 2018/19 accounts were published, the total amount estimated to be received was to be 86.5% of the claim. The current estimated total distributions to unsecured creditors should be in the range of 86.75p to 87p in the pound.

The following repayment schedule has been assumed to calculate the recoverable amount (present value of £0.007m), as set out in the table above. This is based on expected total repayments of 87% of the claim.

June 2020	0.17%	December 2020	0.16%

44. TERMINATION BENEFITS AND EXIT PACKAGES

The authority terminated the contract of one employee in 2019/20 incurring liabilities of £34k (£38k in 2018/19). This reduction in staff is consistent with the council's medium term financial strategy and the delivery of service efficiencies to ensure the best possible value for money is delivered for our residents. The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20k	0	**0**	0	0	0	**0**	0	**0**
£20 - £40k	1	**1**	0	0	1	**1**	38,079	**33,986**
£40 -£60k	0	**0**	0	0	0	**0**	0	**0**
£60 - £80k	0	**0**	0	0	0	**0**	0	**0**
£80 - £100k	0	**0**	0	0	0	**0**	0	**0**
£100 - £150k	0	**0**	0	0	0	**0**	0	**0**
Total	1	**1**	0	**0**	1	**1**	38,079	**33,986**

45. PENSIONS

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pensions Scheme. This scheme is administered locally by Staffordshire County Council. It 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 pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Staffordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee. Further details can be found in the Annual Report published on the Staffordshire County Council Pension Fund website.

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 the amounts required by statute as described in the accounting policies note.

Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31st March 2016 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council took the option to pay the annual lump sum amounts for the three years to March 2020 as one advance payment of £3.052m. This was paid in April 2017 and reflects a discount of 3.8% on the nominal sums. Of this lump sum amount, £1.148m has been charged to the General Fund Balance, via the Movement in Reserves Statement relating to the 2019/20 allocation (2018/19 £1.020m). This is the final charge under this arrangement.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real costs of post-employment 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.

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**	
	2019/20	**2018/19**
	£'000	£'000
Cost of Services		
Current Service Cost	**2,797**	2,871
Past Service Costs	**210**	54
Effect of Settlements*	**0**	(1,004)
Financing and Investment Income and Expenditure		
Net Interest Expense	**1,470**	1,416
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,477**	3,337
Other Post Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on Plan Assets (excluding the amount included in the net interest expense)	**7,680**	(4,381)
Actuarial gains and losses arising on changes in demographic assumptions	**(5,372)**	0
Actuarial gains and losses arising on changes in financial assumptions	**(11,723)**	10,893
Other	**(6,962)**	53
	(16,377)	**6,565**
Total Post Employment Benefits charged to the Comprehensive Income & Expenditure Statement	**(11,900)**	**9,902**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(4,477)**	(3,337)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	**2,320**	2,483
	(2,157)	(854)

*This relates to the removal of assets and liabilities of the Leisure Centre staff following their transfer via TUPE to Sport and Leisure Management Ltd on 1 February 2019.

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:

	Local Government Pension Scheme 2019/20 £'000	Local Government Pension Scheme 2018/19 £'000
Present value of the defined benefit obligation	**125,065**	146,240
Fair Value of Plan Assets	**(77,825)**	(85,928)
Sub total	**47,240**	60,312
Other Movements in the liability	**0**	0
Net liability arising from benefit obligation	**47,240**	60,312

Reconciliation of the Movements in the Fair Value of Scheme (Plan Assets).

	Local Government Pension Scheme 2019/20 £'000	Local Government Pension Scheme 2018/19 £'000
Opening fair value of scheme assets	**85,928**	85,458
Interest Income	**2,037**	2,262
Remeasurement gain/(loss): The return on plan assets, excluding the the amount included in the net interest	**(7,680)**	4,381
Contributions from employer relating to current year	**1,172**	1,463
Contributions from employees	**403**	471
Benefits Paid	**(4,035)**	(3,734)
Effect of Settlements*	**0**	(4,373)
Closing fair value of scheme assets	**77,825**	**85,928**

*This relates to the removal of assets and liabilities of the Leisure Centre staff following their transfer via TUPE to Sport and Leisure Management Ltd on 1 February 2019.

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

	Local Government Pension Scheme 2019/20 £'000	**2018/19 £'000**
Opening balance at 1 April	**146,240**	137,331
Current Service Cost	**2,797**	2,871
Interest Cost	**3,507**	3,678
Contributions from scheme participants	**403**	471
Remeasurement (gains) and losses:		
Actuarial gains/ losses arising from changes in demographic assumtions	**(5,372)**	0
Actuarial gains/ losses arising from changes in financial assumptions	**(11,723)**	10,892
Other	**(6,962)**	53
Past Service Cost	**210**	54
Effect of Settlements*	**0**	(5,376)
Benefits Paid	**(4,035)**	(3,734)
Closing balance at 31 March	**125,065**	146,240

*This relates to the removal of assets and liabilities of the Leisure Centre staff following their transfer via TUPE to Sport and Leisure Management Ltd on 1 February 2019.

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2019/20 £'000	2018/19 £'000
Cash & Cash Equivalents	**1,316**	2,352
Equity Securities:		
Consumer	**2,886**	3,836
Manufacturing	**3,117**	3,287
Energy & Utilities	**1,040**	1,377
Financial Institutions	**2,752**	3,179
Health & Care	**2,434**	2,466
Information Technology	**1,897**	2,450
Other	**67**	81
Sub total equity	**14,193**	16,676
Bonds:		
Corporate Bonds	**6,262**	6,379
Government	**0**	0
Sub total bonds	**6,262**	6,379
Property:		
UK Property	**7,670**	7,304
Overseas Property	**0**	0
Sub total property	**7,670**	7,304
Private Equity:		
All	**3,242**	3,076
Sub total equity	**3,242**	3,076
Other investment funds and unit trusts:		
Equities	**33,192**	38,679
Bonds	**6,541**	6,502
Hedge Funds	**1,385**	1,501
Other	**4,024**	3,459
Sub total investment funds	**45,142**	50,141
Total Assets	**77,825**	85,928

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2020.

The significant assumptions used by the actuary have been:

	2019/20	2018/19
Duration of liabilities as at date of latest valuation	20 years	20 years
	%	%
Long Term expected rate of return on assets:		
Equities	**2.3**	2.4
Bonds	**2.3**	2.4
Property	**2.3**	2.4
Cash	**2.3**	2.4
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	**21.2**	22.1
Female	**23.6**	24.4
Longevity at 65 for future pensioners		
Male	**22.1**	24.1
Female	**25.0**	26.4
Rate of inflation (RPI)	**2.8**	3.5
Rate of increase in salaries	**2.3**	2.9
Rate increase in pensions	**1.9**	2.5
Rate for discounting scheme liabilities	**2.3**	2.4

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the 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 method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Obligation in the Scheme	
	Increase in Assumption £000	**Decrease in Assumption £000**
0.5 decrease in Real Discount Rate		**11,714**
1 year increase in member life expectancy	**6,253**	
0.5% increase in the Salary Increase Rate	**1,212**	
0.5% increase in the Pension Increase Rate	**10,399**	

Impact on the Authority's Cash Flows

The County Council has agreed a strategy with the fund actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh LGPS Funds were concluded by 31 March 2020.

The accounting balance sheet position as at 31 March 2020, and the projected pension charge for 2020/21, are therefore based on the new 2019 formal valuation. This differs to the balance sheet position as at 31 March 2019 and the pension charge for 2019/20, which were based on the 2016 formal valuation. This new valuation has led to a significant asset and liability 're-measurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020

For all LGPS Funds, investment returns in 2019/20 have been significantly lower than expected (particularly in the last 2 months of the accounting period) which has served to worsen the balance sheet position. The effect of this will have been partly offset by a higher net discount rate which serves to reduce the value placed on the obligations. The effect of asset returns and/or financial assumption changes on the 31 March 2020 balance sheet are however overshadowed by the effect of the 2019 formal actuarial valuation calculations.

The authority anticipates payment of £2,300,000 in expected contributions to the scheme in relation to the financial year 2020/21.

Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) rights were accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of the GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has allowed for the impact of full GMP indexation in the calculation of the 31 March 2019 triennial funding valuation results. Therefore, any financial impact of GMP to the pension obligations are accounted for in the closing balance sheet position at 31 March 2020.

McCloud Judgement

A court ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements (the McCloud case), which has implications for the Local Government Pension Scheme (LGPS).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The Government were refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. Whilst the McCloud and Sargeant Judgements are concerned with the judges and uniformed police and firefighters pension schemes, the Chief Secretary to the Treasury announced on 15 July 2019 that the rulings would apply to all public service pension schemes.

Therefore for 2019/20 the IAS 19 valuation of post-employment benefit liabilities is required to take into account the impact of the McCloud and Sargeant Judgements. An estimate of the financial implications of the McCloud case has therefore been included in the pension figures at 31 March 2020. The approximate impact was assessed by the Actuary as £210,000 and is shown as Past Service Costs within the accounts, however following the publication of government consultation document, more updated information has now indicated that the estimate for the McCloud case should be approximately £70,000.

46. CONTINGENT LIABILITES

Externally Funded Schemes
The Council was previously involved as the accountable body in a number of schemes where grants are received from external funding agencies - primarily the European Commission for European Regional Development Fund (ERDF) grant and Advantage West Midlands for Single Regeneration Budget grant. Under the conditions for offer of grant, there is a potential for these bodies to claw-back grants if these conditions are not met, although none are known at present.

Municipal Mutual Insurance
The Scheme of Arrangement was enacted in 2012/13. The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not yet reported. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

Business Rates – Appeals and Reliefs
The Council has made a provision for NNDR Appeals based on its best estimate of the actual liability as at the year-end in known appeals and an estimate of future appeals against the new 2017 list. These estimates are based on historical data in relation to the level and success of appeals, it is possible that the actual costs may exceed provision based on historical data analysis.

NHS Trusts made a claim for Mandatory Business Rates Relief, this claim was rejected by the Court during the course of 2019. Nevertheless leave to appeal the decision was made on 24th February 2020. In the event the decision is successfully appealed the estimated backdated cost of this to the authority is in the region of £1.8m.

Leisure Provision
On 1 February 2019, Sports and Leisure Management Ltd (trading as Everyone Active) took over the management of the Council's Leisure Services.

The staff were transferred by TUPE and SLM are an admitted body to the Staffordshire County Council LGPS Pension Fund. The contractual arrangements mean that the Council is guarantor of pension commitments for these former employees. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2019/20, the risk has been assessed at low, no greater than 5% or £0.1m.

The Covid-19 Pandemic has meant that Leisure Services were temporarily suspended during March 2020 in line with Government requirements and as a result the provider is no longer generating the income levels assumed in their bid to deliver the services. The contractual relationship does not make specific provision for these unprecedented circumstances and the Council continues to be in ongoing discussion with the provider in line with Government guidelines (various public procurement notices).

Economic Conditions
The Covid-19 Pandemic has had significant implications for the global economy and more significantly so the United Kingdom, with estimates of economic contraction of around 15% in 2020. In addition to this, the UK left the EU on 31st January 2020 and is in an 11 month transition period. The priority during this period is to negotiate a trade deal, the outcome of which could also have significant implications for the UK economy.

Clearly the impact on the UK economy is significant and there is a resulting impact on the Council's finances. The Council is monitoring its financial position closely and will continue to keep up to date with developments and advise on any concerns for the Council's financial and operational position including:

- Future levels of Government support / funding;
- The potential impact on Council service provision / finances;
- Impact on interest rates and investment and other income for the Council e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.;
- Impact on business rates and council tax collection levels;
- Potential impact on Property Valuations and the Pension Fund.

47. PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

Expenditure on services and income disclosed within in the Comprehensive Income and Expenditure Statement is in accordance with the CIPFA Code of Local Authority Accounting in the UK. This requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. During the course of 2019/20 the management structure has changed and therefore the comparative figures for 2018/19 within the Comprehensive Income and Expenditure Statement have been amended to reflect the revised structure and ensure a like for like comparison. This relates to the transfer of Social Regeneration, Tourism, and Councillors Community Fund from the Enterprise service to the Community and Open Spaces service. The impact of this change resulted in gross expenditure of £229k being transferred. There was no change to the income figures.

A number of associated notes have also been re-stated to ensure consistency with the re-stated comparator figures in the Comprehensive Income and Expenditure Statement.

48. EVENTS AFTER BALANCE SHEET DATE

The unaudited statement of Accounts was authorised for issue on 31st May 2020. 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 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2020 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

Pension Fund Pre-payment – Non adjusting event

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31st March 2019 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.5m. This was paid in April 2020 and reflects a discount of 4% on the nominal sums.

Covid-19 Business Rates Support Grants – Non adjusting event

The Council received £27.1m in April 2020 from central government in relation to the business support grants scheme for retail, hospitality and leisure businesses due to the impact of Covid-19. These grants of up to £0.025m are being administered by local authorities during 2020/21 in line with the government guidance.

Covid-19 Impact on Income Streams – Non adjusting event

The Covid-19 pandemic and related lockdown is having a significant impact on the income the council receives during 2020/21 that is used to support the delivery of services to residents. Whilst the Government have already provided funding to local authorities to support these pressure our current forecasts indicate that this will not be sufficient to meet the pressures. Nevertheless the Council's underlying financial position is robust and the level of reserves provides capacity for resilience. Further information on the impact of Covid-19 is set out in the opening narrative statement.

49. DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE

The unaudited accounts were issued on 29th June 2020 and the audited accounts were authorised for issue on 27th November 2020. Events occurring after this date have not been recognised in the financial statements.

Lisa Turner CPFA
Chief Accountant (Deputy Section 151 Officer)

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Collection Fund 2019 - 2020

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2020

2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 Total £'000		2019/20 Council Tax £'000	2019/20 Business Rates £'000	2019/20 Total £'000
			INCOME			
(63,188)	-	(63,188)	Council Tax Payers	(67,188)	-	(67,188)
-	(54,873)	(54,873)	Income from Business Ratepayers	-	(57,846)	(57,846)
(63,188)	**(54,873)**	**(118,061)**		**(67,188)**	**(57,846)**	**(125,034)**
			EXPENDITURE			
			Precepts			
44,470	-	44,470	- Staffordshire County Council	46,457	-	46,457
7,074	-	7,074	- Staffordshire PCC	8,073	-	8,073
2,701	-	2,701	- Staffordshire Commisioner Fire and Rescue	2,823	-	2,823
7,717	-	7,717	- East Staffordshire BC	8,049	-	8,049
			Business Rates			
-	26,084	26,084	- Payment to Government	-	13,200	13,200
-	4,695	4,695	- Staffordshire County Council	-	17,953	17,953
-	522	522	- Staffordshire Fire Authority	-	528	528
-	20,867	20,867	- East Staffordshire BC	-	21,121	21,121
-	174	174	- Cost of Collection	-	173	173
-	-	-	- Interest on Refunds	-	-	-
-	119	119	- Other Provisions	-	(805)	(805)
			Bad and Doubtful Debts			
355	253	608	- Provisions	1,229	615	1,844
169	127	296	- Write Offs	113	595	708
-	2,034	2,034	Change in Provision for Appeals	-	(1,613)	(1,613)
			Transfer of Collection Fund Surplus			
-	1,108	1,108	- Central Government	-	984	984
1,200	199	1,399	- Staffordshire County Council	556	177	733
190	-	190	- Staffordshire PCC	88	-	88
75	22	97	- Staffordshire Commisioner Fire and Rescue	34	20	54
220	886	1,106	- East Staffordshire BC	97	787	884
64,171	**57,090**	**121,261**		**67,519**	**53,735**	**121,254**
983	**2,217**	**3,200**	**Deficit/(Surplus) for the Year**	**331**	**(4,111)**	**(3,780)**
			Collection Fund Balance			
(2,459)	(4,184)	(6,643)	Balance brought forward at 1 April	(1,476)	(1,967)	(3,443)
983	2,217	3,200	Deficit/(Surplus) for Year (as above)	331	(4,111)	(3,780)
(1,476)	**(1,967)**	**(3,443)**	**Balance c/f at 31 March**	**(1,145)**	**(6,078)**	**(7,223)**
			Allocated to			
(184)	(787)	(971)	- East Staffordshire Borough Council	(141)	(2,431)	(2,572)
(1,059)	(177)	(1,236)	- Staffordshire County Council	(814)	(2,067)	(2,881)
(169)	-	(169)	- Staffordshire PCC	(141)	-	(141)
(64)	(20)	(84)	- Staffordshire Commisioner Fire and Rescue	(49)	(61)	(110)
-	(983)	(983)	- Government	-	(1,519)	(1,519)
(1,476)	**(1,967)**	**(3,443)**		**(1,145)**	**(6,078)**	**(7,223)**

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

The Collection Fund is an agent's 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 Business Rates and its distribution to Local Government bodies and the Government.

The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant bodies that precept against the Collection Fund in subsequent financial years. For Council Tax these bodies are Staffordshire County Council, Staffordshire Police and Crime Commissioner (PCC) and Staffordshire Commissioner Fire and Rescue Authority.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils greater incentive to grow businesses in the Borough. It does, however, also increase financial risk due to non-collection and the volatility of the business rates tax base.

Business Rates surpluses or deficits declared by the billing authority in relation to Collection Fund are apportioned to the relevant bodies in subsequent financial years in their respective proportions.

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 meanwhile is incorporated into the Council's consolidated balance sheet.

2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base for 2019/20 was 37,278 (36,736 in 2018/19). The tax base for 2019/20 was approved by executive decision on 3 December 2018 and was calculated as follows:

Valuation Band		No. of Dwellings after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A	Up to £40,000*	15,800	6/9	10,530
B	£40,001 to £52,000	10,072	7/9	7,834
C	£52,001 to £68,000	7,943	8/9	7,060
D	£68,001 to £88,000	5,889	9/9	5,889
E	£88,001 to £120,000	4,060	11/9	4,962
F	£120,001 to £160,000	2,188	13/9	3,160
G	£160,001 to £320,000	1,120	15/9	1,866
H	Over £320,000	73	18/9	146
		47,145		41,447
Less adjustment for council tax support				(3,408)
Less adjustment for collection rates and property changes				(761)
Council Tax Base for 2019/20				**37,278**

3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

In 2013/14, the allocation of business rates resources changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due. In the case of East Staffordshire the local share is 40% (2018/19 40%). The remainder is distributed to the preceptors and in the case of East Staffordshire these are Central Government 25% (2018/19 50%), Staffordshire County Council 34% (2018/19 9%) and Staffordshire Commissioner Fire and Rescue Authority 1% (2018/19 1%).

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 Valuation Office Agency. As such, authorities are expected to make a provision for these amounts. The total provision at 31st March 2020 has been calculated at £5.165m (£6.778m at 31st March 2019).

The business rates shares payable to preceptors for 2019/20 were estimated before the start of the financial year and these sums have been paid in 2019/20 and charged to the Collection Fund in year.

The total non-domestic rateable value at 31 March 2020 was £138.855m, compared to £137.666m at 31 March 2019. The national non-domestic rate multiplier for the year was 50.4p for properties with a rateable value in excess of £51k and 49.1p for properties with a rateable value lower than £51k, compared to 49.3p and 48p respectively for the previous year.

4. Provisions for Doubtful Debts and for Valuation Appeals

Provision for Council Tax Doubtful Debts

The Collection Fund account provides for doubtful debts on arrears on the basis of prior year experience and current years' collection rates.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**2,089**	1,734
Net Increase/(Decrease) in provision	**1,229**	355
Balance at 31 March	**3,318**	2,089

East Staffordshire Borough Councils proportion of this provision is shown below.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**260**	234
Net Increase/(Decrease) in provision	**148**	26
Balance at 31 March	**408**	260

Provision for Business Rates / NNDR Doubtful Debts

The Collection Fund account also provides for doubtful debts on NNDR arrears.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**899**	646
Net Increase/(Decrease) in provision	**613**	253
Balance at 31 March	**1,512**	899

East Staffordshire Borough Councils proportion of this provision is shown below.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**359**	258
Net Increase/(Decrease) in provision	**246**	101
Balance at 31 March	**605**	359

NNDR – Provision for Appeals/Reliefs

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the valuation Office Agency (VOA) not settled as at 31st March 2020.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**6,778**	4,744
Net Increase/(Decrease) in provision	**(1,613)**	2,034
Balance at 31 March	**5,165**	6,778

East Staffordshire Borough Councils proportion of this provision is shown below.

	2019/20	2018/19
	£'000	£'000
Balance at 1 April	**2,711**	1,897
Net Increase/(Decrease) in provision	**(645)**	814
Balance at 31 March	**2,066**	2,711

In 2018/19 the authority had set aside a further provision of £0.805m to meet potential appeals from NHS Trusts for backdated mandatory relief. East Staffordshire Borough Council's element of the provision was £0.322m. This provision has not been maintained into 2019/20.

Independent Auditors Report

Independent auditor's report to the members of East Staffordshire Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Staffordshire Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Finance Officer 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.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of the Authority's land and buildings and the Authority's share of property related assets within the Staffordshire Pension Fund

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 3 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity ad severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19 on the assumption that values will be restored when the real estate market becomes more fluid. Our opinion is not modified in respect of this matter.

We also draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the Authority's share of the Staffordshire Pension Fund's property related assets as at 31 March 2020. As disclosed in note 3, the accounts of Staffordshire Pension Fund include a disclosure note about material uncertainty in respect of the property funds it holds. Details of these can be found within the Staffordshire Pension Fund accounts. The Council's share of these funds is approximately 2% which equates to £8.3m. Therefore, less certainty can be attached to the valuation of these assets at 31st March 2020. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer 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 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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we 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
-
- 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 Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 9 to 10, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer 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 Chief Finance Officer 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 Scrutiny, Audit and Value for Money Council Services 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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 East Staffordshire Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Michael Green

Michael Green, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

27 November 2020

East Staffordshire Borough Council

Glossary of Terms

GLOSSARY OF TERMS

Accounting Concepts
The fundamental accounting principles that are applied to ensure that the Statement of Accounts present a true and fair view of 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 authority 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
Sums included in the accounts to recognise revenue and capital expenditure and income incurred or earned in the financial year, but for which actual payment had not been made or received as at 31 March (see Creditors and Debtors).

Balances
The total level of funds the Council has accumulated over the years.

Capital Expenditure
Expenditure on the acquisition of a fixed asset, or which adds to the life or value of an existing fixed asset.

Capital Receipts
Income received from the sale of assets and from the repayment of grants and loans made by the Council. Capital receipts may be used to finance new capital expenditure or to repay loan debt.

CIPFA
Chartered Institute of Public Finance and Accounting.

Collection Fund
A separate account which records receipts of Council Tax and Business Rates. Payments to the Council and other authorities are shown.

Community Assets
Assets which the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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

Balance Sheet
A statement of the recorded assets, liabilities and other balances of the Council at the end of the financial year.

Capital Adjustment Account (CAA)
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Creditors
Amounts owed by the Council for works done, goods received or services provided within the financial year, but for which payment has not been made at the end of the financial year.

Debtors
Amounts owed to the Council for works carried out, goods provided or services rendered within the financial year, but for which payment has not been received at the end of the financial year.

Deferred Credits
Are deferred capital receipts, which are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Earmarked Reserve
A sum set aside for a specific purpose.

Emoluments
All sums paid to or receivable by an employee, including the money value of any non-cash benefits.

Events after the Balance Sheet Date
Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed for issue by the Chief Finance Officer.

GLOSSARY OF TERMS

Fees and Charges
Income arising from the provision of services e.g. the use of leisure facilities.

Finance Lease
A lease that transfers all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instrument
Any contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another equity.

Financial Year
The period of time to which the Statement of Accounts relates. The financial year of the Council is from 1 April to 31 March.

IAS
International Accounting Standard

IFRS
International Financial Reporting Standards.

General Fund
The account which records the cost of all Council services except those shown in the Collection Fund.

Government Grants
Grants made by the government and other bodies towards either revenue or capital expenditure, in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Gross Expenditure (Total Cost)
Gross expenditure includes expenditure relating to employees, premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges including depreciation.

Impairment
A reduction in the value of a fixed asset to below the amount it is included on the balance sheet.

Income and Expenditure Account
This statement reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets
Assets belonging to the Council which cannot be transferred or sold and therefore their cost is only recoverable by continued use of the asset created. Examples are highways and footpaths.

Intangible Assets
Represents expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. computer software licences).

Investments
The lending of surplus revenue balances to provide additional income in the form of interest received.

Investment Properties
Are held by the Council for investment purposes (income generation or capital value appreciation) only and cannot be classified as any other type of asset.

LASAAC
Local Authority Scotland Accounts Advisory Committee.

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.

Materiality
An item is material if its omission, non-disclosure or mis-statement in financial statements could lead to a distortion of the view given by those statements.

Minimum Revenue Provision (MRP)
Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP).

National Non-Domestic Rates (NNDR)
Are nationally set rates levied on business properties and therefore known as business rates. The Council collects these rates and under the Business Rates Retention Scheme this is shared 50% to central government, 40% to East Staffordshire Borough Council, 9% to the County Council and 1% to the Fire Authority.

GLOSSARY OF TERMS

Net Book Value
The amount at which fixed assets are 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 Expenditure
Net expenditure is gross expenditure less income from grants, contributions, sales, fees and charges, rents and recharges.

Net Realisable Value
Open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

Non-Operational Assets
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets surplus to requirements and awaiting sale or redevelopment.

Operating Lease
The ownership of the asset remains with the leasing company who charge an annual rental.

Operational Assets
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precepts
Amounts which the Council is required to collect as council tax on behalf of other authorities.

Prior Period Adjustments
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.

Provisions
Amounts set aside to meet liabilities which are likely to be incurred, but where the amount and date on which they will arise is uncertain.

Prudence
The concept that income is not anticipated but is recognised only when realised in the form of cash or other assets and which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)
Central Government Agency which lends money to local authorities, usually at interest rates which are more favourable than those found elsewhere.

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

Residual Value
The net realisable value of an asset at the end of its useful life.

Revenue Expenditure
Expenditure on the day-to-day running of the Council, such as employee costs and supplies and services.

Revenue Support Grant (RSG)
A grant paid by Central Government towards the cost of providing services.

Stocks
The value of items purchased for use on a continuing basis, but which have not been used at the balance sheet date.

Tangible Fixed Assets
Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

TUPE
Transfer of Undertakings (Protection of Employment) Regulations.

Useful Life
Period over which the Council will derive benefits from the use of a fixed asset.

East Staffordshire Borough Council

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT
2019/20

1. SCOPE OF RESPONSIBILITY

East Staffordshire Borough Council (ESBC) 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. ESBC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, ESBC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

ESBC has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be found on our website, or can be obtained from the Corporate and Commercial Team. The statement explains how ESBC has complied with the code, and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of ESBC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at ESBC for the year ended 31st March 2020 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The clear statement of corporate objectives in the Corporate Plan and Service Plans, with the monitoring of achievement of corporate objectives via quarterly monitoring at the Corporate Management Team, Cabinet and Scrutiny. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is carried out with key stakeholders externally and through internal communications. Service Plans are communicated through internal communications and via the employee appraisal process;

- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and Council services and meetings are open to the public except where confidential matters are being disclosed. In addition, delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing details of future key decisions to be made by the Council;

- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer and Monitoring Officer, having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered;

- The statutory officers have the statutory duty to report to all the local authority's Elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget set;

- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;

- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan;

- The Council maintains an Internal Audit Service, which operates to the Public Sector Internal Audit Standards;

- The Council has a formally constituted Audit Committee, the Scrutiny (Audit & Value for Money Council Services) Committee, which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment;

- The Council has positions for two independent members to reside on the Scrutiny (Audit & Value For Money Council Services) Committee;

- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter;

- There is a robust risk management approach which is considered and overseen by the Scrutiny (Audit & Value for Money Council Services) Committee. The policy enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually being developed, maintained and embedded through the proactive participation of all services, which strengthens the links between risk management and audit;

- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a performance management framework designed to secure continuous improvement in the way in which its services are delivered;

- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;

- The adoption and use of PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enables the Council to proactively monitor and appraise appropriate projects;

- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and Members through to Cabinet;

- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website and social media, and through the Customer Service Centres;

- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;

- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;

- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with and relevant partnerships are reviewed;

- Developing the capacity and capability of Members in order to improve and become more effective, and also ensure that officers (including statutory officers) have the capability and capacity to deliver efficiency; and

- The authority's financial management arrangements conform to the governance requirements of the CIPFA statement on The Role of The Chief Financial Officer in Local Government. By doing so, the Authority is able to demonstrate that the core principles are adhered to and achieved.

4. REVIEW OF EFFECTIVENESS

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

The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2019/20 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included a refreshed Treasury Management and Annual Investment Strategy, an updated Medium Term Financial Strategy, a revised Non Domestic Mandatory and Discretionary Rate Relief Policy, and refreshed policies for Scrap Metal Dealers, Hackney Carriage and Private Hire Taxis, Charitable Collections and the Licensing Act;

- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;

- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;

- The Scrutiny (Audit & Value For Money Council Services) Committee; and the Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee commenced a number of internally and externally focused reviews which included the representation on outside bodies, car-parking services, Disabled Facility Grants, a continued review of the merger of Burton Queens Hospital and the Royal Derby Hospital, the East Staffordshire CCG, CCTV and health and activity in the borough;

- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Scrutiny (Audit & Value For Money Council Services) Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;

- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;

- The Scrutiny (Audit & Value For Money Council Services) Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;

- The Scrutiny (Audit & Value For Money Council Services) Committee has received training and briefing sessions to support with its effectiveness;

- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;

- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;

- The Scrutiny (Audit & Value for Money Council Services) Committee received and reviewed the quarterly financial performance reports which cover the revenue budget, capital programme, treasury management and risk management;

- The Scrutiny (Audit & Value for Money Council Services) Committee and the Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee received and reviewed quarterly corporate plan performance reports as well as reviewing all Executive Decision Records that have been taken by the Council's Cabinet Members;

- The Scrutiny (Audit & Value for Money Council Services) Committee received and reviewed the quarterly Leisure Operating Contract reports;

- The Leisure Operating Contract (LOC) states that a Partnership Board shall be maintained throughout the Contract Period, consisting of five representatives of the Authority comprising the Leader of the Council, Deputy Leader (Leisure, Culture & Tourism), Chief Executive, Head of Service and Corporate & Commercial Manager on behalf of the Council and the Regional Director, Area Manager and Contract Manager on behalf of the Operator. This is chaired by the Deputy Leader (Leisure, Culture & Tourism) and meetings are held at least quarterly in order to work cooperatively with each other to discharge their respective responsibilities under the LOC and to provide strategic direction for the provision of the services and the operation of the Facilities.

- A formal benchmarking exercise was completed which considered operational elements of contract management for the Council's Leisure Service arrangements and a review of available value for money and benchmarking information to establish our position and to inform future ongoing benchmarking exercises;

- HMG Cabinet Office carried out a review of the Council's ICT infrastructure and security arrangements in order for the Council to connect to PSN (Public Services Network). Certification that the Council had demonstrated that its infrastructure is sufficiently secure to connect to the PSN was awarded in May 2020;

- As a result of Storm Dennis, a significant number of properties throughout the Borough experienced flooding in February 2020. Following the issuance of a Severe Flood Warning for Burton Trent by the Environment Agency the Council's emergency governance arrangements were initiated and the Town Hall was activated as a rest centre. Following the incident, the Council has been responsible for coordinating the East Staffordshire Flood Recovery Group which has included the management of various flood related Government grants. This experience of leading a "real" emergency will allow any learning to be incorporated into our ongoing corporate work on improving resilience planning for the governance of future potential incidents.

- Internal Audit's review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control;

- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;

- There are quarterly review meetings that are held with external auditors and the Council's three statutory officers on an individual basis;

- There are regular meetings that are held between the Head of Internal Audit/ the Chief Executive and the Head of Internal Audit/Chief Finance Officer;

- The Council's Project Management approach has been routinely improved during the year; and

- There are regular meetings between the Council's three statutory officers to discuss risk and governance.

5. IMPACT OF COVID-19

- Prior to the incident being declared a pandemic, the Council closely monitored the emerging COVID-19 situation, and all Business Continuity Plan owners were asked to review and update their plans in light of the potential for future disruption. Managers also reviewed key controls to ensure that services would be in a position to continue when the need arises;
- On Monday 16th March 2020, all managers met to consider business continuity and specifically any additional ICT requirements necessary for homeworking.
- On 17th March 2020 the Council implemented business continuity measures in response to the COVID19 pandemic and emerging Government guidance and legislation.
- The majority of Council staff were homeworking as of Wednesday 18th March 2020, with only a very few individuals now attending the office occasionally to undertake specific essential duties by prior arrangement and with senior management approval. Various HR policies were updated where necessary to reflect the current situation.
- A response section has been developed on the Council website collating all guidance, messaging and service disruption. This is regularly updated as changes occur. It is however acknowledged that throughout the COVID19 situation all statutory and critical services have continued and service disruption has been kept to a minimum.
- Elected Members have been updated on at least a weekly basis through the Member Briefing which is emailed out to all Councillors.

- The Council meeting scheduled for 23rd March 2020, went ahead with social distancing measures implemented. The meeting allowed the Council to update its policy framework to enable it to continue for the duration of the pandemic.
- A "virtual" decision making process has been developed with an electronic sign-off process implemented for delegated Executive Decision Records.
- The Council held its first virtual Cabinet meeting on Monday 20th April 2020, following the government's temporary removal of the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic.
- The Council has inevitably been impacted financially by COVID19 with additional cost pressures and more significantly a reduction to the income levels the Council receives that are used to ensure that the funding is available to provide essential services to residents. Whilst the impact on the Medium Term Financial Strategy will be extensive, this is being monitored and updated on a regular basis and the Council's underlying financial position remains a robust one which provides a strong foundation of financial resilience during these unprecedented times.

6. SIGNIFICANT GOVERNANCE ISSUES

During the 2019/20 financial year no significant governance issues arose.

However, with reference to the challenges brought on by the COVID19 pandemic which only affected the Council at the end of 2019/20, we will continue to closely monitor the impacts and respond to these appropriately

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed: ……………………………………

Leading Member on behalf of East Staffordshire Borough Council

Signed: ……………………………………

Chief Executive on behalf of East Staffordshire Borough Council

This is an electronic copy without electronic signatures. The original was signed as above and a copy can be obtained from the financial management unit on request.