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Chesterfield BOROUGH COUNCIL

The Chair and Members of Standards and Audit Committee

Please ask for Donna Cairns

Direct Line 01246 345277
Fax 01246 345252

18 September 2014

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on FRIDAY, 26 SEPTEMBER 2014 at 2.00 pm in Committee Room 3, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda

2. Apologies for Absence

3. Minutes - 27 June, 2014 (Pages 1 - 4)

4. Audit Report on the 2013/14 Statement of Accounts (Pages 5 - 162)

5. Treasury Management Annual Report 2013/14 and Monitoring Report 2014/15 (J070R) (Pages 163 - 180)

6. Summary of Internal Audit Reports Issued (Pages 181 - 186)

7. Local Government Act 1972 - Exclusion of Public

   To move “That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act".

8. Appointment of Independent Persons for Standards Matters (Pages 187 - 202)

Yours sincerely,

Local Government and Regulatory Law Manager

STANDARDS AND AUDIT COMMITTEE

Friday, 27th June, 2014

Present:-

Councillor Mark Rayner (in the Chair)

Councillors	Diouf Elliott	McManus

Councillor C Brown (Brimington Parish Council)

*Matters dealt with under Executive Powers

1 **DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Avis Murphy.

3 **MINUTES - 4TH APRIL 2014**

RESOLVED –

That the minutes of the Standards and Audit Committee meeting held on 4th April, 2014 be approved as a true record.

4 **REVIEW OF CODE OF CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT**

The Corporate Management Team submitted a report to review compliance with the Code of Corporate Governance, and the Annual Governance Statement.

The report gave details of:

- The Annual Review of the Local Code of Corporate Governance for 2013/14;

- The review of the key elements of the systems and processes that comprise the Council's governance;

- The review of assurances supporting the Annual Governance Statement;

- The Action Plan arising from the assessment;

- The Annual Governance Statement for the Council, to accompany the Council's Statement of Accounts for 2013/14.

***RESOLVED** -

(1) That the documents listed above be noted.

(2) That the Annual Governance Statement and Action Plan be approved.

(3) That it be recommended that the Annual Governance Statement be signed by the Leader and Chief Executive.

(4) That a review of the Code of Corporate Governance be undertaken in 12 months time.

(5) That progress on the Action Plan be monitored by the Corporate Management Team.

5 **SUMMARY OF INTERNAL AUDIT REPORTS ISSUED**

The Interim Head of Internal Consortium submitted a report summarising the Internal Audit reports issued for the period 13th March, 2014 to 6th June, 2014 in respect of reports issued relating to the 2013/14 and 2014/15 internal audit plans.

***RESOLVED –**

That the report be noted.

6 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2013/2014

The Interim Head of the Internal Audit Consortium presented the annual report of the Internal Audit Consortium in respect of Chesterfield Borough Council for 2013/14.

The report covered:

- summary of work undertaken
- opinion on the overall adequacy and effectiveness of the Council's control environment
- issues for inclusion in the Annual Governance statement
- comparison of planned work to actual work undertaken
- compliance with the Public Sector Internal Audit standards and other quality assurance results
- review of performance of the Internal Audit Consortium against the current Internal Audit Charter.

***RESOLVED –**

That the Internal Audit Consortium Annual Report be noted.

7 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Head of Finance presented the annual review of the effectiveness of the Council's system of internal audit as required by the Accounts and Audit Regulations.

The effectiveness of the Council's system of internal audit had been based on an assessment against the following criteria:

- Adherence to professional standards
- Planning agreements
- Reporting arrangements
- External audit comments
- Feedback from internal clients

- Budgets and Value for Money
- Section 151 (Chief Financial Officer) comments

*** RESOLVED -**

That the positive assurance given by officers be noted.

FOR PUBLICATION

AUDIT REPORT ON THE 2013/14 STATEMENT OF ACCOUNTS

MEETING:	STANDARDS & AUDIT COMMITTEE
DATE:	26th SEPTEMBER 2014
REPORT BY:	HEAD OF FINANCE
WARD:	ALL
FORUM	ALL

FOR PUBLICATION
BACKGROUND PAPERS: None

1. PURPOSE OF REPORT

1.1 To approve the Statement of Accounts for 2013/14.

1.2 To approve the 'Letter of Representation'.

1.3 To receive the external auditor's 'Report to those Charged with Governance'.

2. BACKGROUND

2.1 The Accounts and Audit Regulations require that:

- No later than 30th June following the financial year end the responsible financial officer must certify the annual accounts as presenting a true and fair view of the financial position of the authority at 31st March; and
- No later than 30th September the annual accounts and audit opinion must be approved by members and published.

The Standards and Audit Committee is the nominated body for approving the accounts. The audited Statement of Accounts (SoA) is included as **Annexe 1**.

2.2 The Cabinet considered the overall outturn report for 2013/14 on the 17th June and a copy of that report is included as **Annexe 2** for information. The Cabinet report provides more of a commentary on the outturn, variances from budgets, level of reserves, etc. The General Fund surplus per this report is £193k which reconciles to the breakeven position in the Statement of Accounts (page 17) as follows:

	£'000
Surplus in the year per 17th June report	**193**
Transfers to earmarked reserves	(193)
Net surplus/(deficit) in the year per SoA	-
General Fund Balance at the end of the year (Movement in Reserves statement page 17)	1,750

The main reasons for the surplus are set out in Appendix B of the 17th June Cabinet report.

2.3 The Council's auditors are required to obtain written representations from management in respect of various matters relating to the accounts in the form of a 'Letter of Representation'.

2.4 Each year the appointed auditor is required to "communicate audit matters to those charged with Governance", namely this committee. The Auditor will present the 'Report to those Charged with Governance' (**Annexe 3**). The report gives details of any adjustments that had to be made to the accounts following the audit and also includes the audit opinion and value for money conclusion.

3. AUDITED STATEMENT OF ACCOUNTS 2013/14

3.1 Following the audit of the accounts a small number of non-trivial adjustments have been made to the original draft of the Statement of Accounts. These changes are not considered by the Auditor to be material and they do not impact on the previously reported level of the Council's balances at the end of March 2014.

3.2 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2013/14.

The key statements are explained below.

3.3 **Movement in Reserves Statement** (SoA page 17) – presents the financial resources available to the authority. The statement differentiates between 'usable' and 'unusable' reserves.

- A **usable reserve** is one that the authority can control and is often held for a specific purpose. Further details of the Usable Reserves of £26.2m at 31st March 2014 (page 17) are provided in

Note 8 (page 43) and Note 40 (page 75). For example, the main elements of the Earmarked General Fund Reserves total of £9.9m include £1.4m capital reserves, £0.4m in the Invest-to-Save Reserve, £1.2m in the Service Improvement Reserve and £1.0m in the Budget Risk Reserve.

- **Unusable reserves** generally arise from statutory accounting adjustments and cannot be used to support service delivery. Details of the total unusable reserves of £192.7m at 31st March 2014 are shown in Note 41 (page 76). For example, the Capital Adjustment Account (£235.3m) is a statutory adjustment account reflecting the replacement of depreciation charges with the statutory provision for the repayment of debt and capital financing provisions (see Note 43). The Pension Reserve (negative £55.8m, Notes 41 and 45) reflects the replacement of the estimated cost of pension benefits earned by employees in the year with the employer's contributions payable into the Pension Fund for the year. The Accumulated Absences Account reflects an adjustment to remove these charges from the service account reserves.

3.4 **Comprehensive Income and Expenditure Statement** (SoA page 19) reflects the economic reality or substance of transactions incurred in the delivery of services. The statement therefore includes the estimated cost of pension benefits earned and depreciation charges on assets; both charges which are removed and replaced by statutory charges in the Movements in Reserves Statement as described above. For consistency and comparability between authorities the service analysis is based on a standard form.

3.5 **Balance Sheet** (SoA page 21) – the balance sheet shows the authority's financial position as at the balance sheet date, 31st March. The balance sheet is comprised of two main parts:

- The top part shows the '**Net Assets**' – i.e. the assets that the authority would have control of after settling its liabilities. Long term assets/liabilities are those which have a life beyond the next 12 months e.g. property, long term loans and investments. Current assets/liabilities are likely to be consumed/settled within the next 12 months e.g. stock, debtors, creditors, etc.
  - ⇒ Long term assets, most at current value, are included at £402.6m. The amount by which the current value has increased over the original cost of the asset since 1st April 2007 is reflected in the 'Revaluation Reserve' (Note 42).
  - ⇒ Current assets and liabilities represent short-term amounts to be consumed, paid or received in the short-term.

⇒ Short Term Provisions include a new provision of £0.3m for the Council's share of successful rating appeals for Non Domestic Rates. Previously, all income from Non Domestic Rates and any costs of appeals associated with it, were met by Central Government.

⇒ Long term borrowing £139.3m represents the money borrowed to finance capital expenditure over many years.

⇒ Long Term Provisions £1.5m represents amounts set aside to meet future known liabilities. Independent actuarial reviews of two provisions (i.e. Transport Company Pensions £1.0m and Self-insurance Fund £0.5m) have confirmed that the balances are adequate.

⇒ Pensions - shows an estimated liability of £55.8m, which will have to be addressed in future re-assessments of employer contributions and as part of the current national review of the Local Government Pensions scheme.

- The lower section shows the '**Total Reserves**' which represent the value of the 'Net assets'. Reserves are split between 'usable' and 'unusable' as described above in para. 3.3.

⇒ Usable Reserves £26.2m – includes capital reserves (£1.4m), earmarked revenue reserves (£8.5m), General Fund balance (£1.75m) and the HRA balance (£12.5m).

⇒ Unusable Reserves (£192.7m) – these are statutory accounting adjustment accounts which are not available to the authority to finance services. Note 41 provides a breakdown and shows that the Revaluation Reserve increased by £1.0m, the Capital Adjustment Account increased by £28.1m and the negative Pensions Reserve reduced by £10.3m.

3.6 **Cash Flow Statement** (SoA page 22) - summarises the inflows and outflows of cash on all the Council's activities.

3.7 **Housing Revenue Account** (SoA page 91) - a 'ring-fenced' account which records the income and expenditure relating to the provision of council housing. There is a statutory requirement for this account to balance. The Council has a policy of maintaining a minimum balance of £3.0m on this account. The account produced a surplus of £4.331m in the year which when added to the balance brought forward gives a balance carried forward of £12.5m. A healthy working balance is required to help finance pressures identified in the medium term business plan, notably the requirement to improve dwellings to the 'Decent Homes Standard'. Other key points to note include:

- The loss of rent due to vacant properties at 1.55% (Note 1), a continuation of the low levels achieved in the previous year;
- The number of dwellings fell to 9,592 by the end of the year, 49 properties were sold under the Right to Buy Scheme (Note 2);
- Rent arrears increased to £2.1m but a provision to cover the possible eventual write-off of £0.7m or 35% of these debts has been made.

3.8 **Collection Fund** (SoA page 98) - this account shows the amounts due from local council taxpayers and how these are distributed to the authorities in the area - £40.6m is collected but only £4.2m (10.64%) is for the Borough Council's services. The account also shows the amounts due from business ratepayers (£35.9m). In previous years, this was transferred into the national business rate pool. From 2013/14, the account shows how this amount is distributed to other authorities in the area and central government – with only £13.8m (40.0%) for the Borough Council to retain to fund services.

3.9 **Direct Service and Trading Organisations** (page 102) - shows the profits/losses made. All the operations made a profit except for Security Services. The bulk of the profits came from the Building Maintenance Operation (£0.7m), and this surplus was returned to the client departments.

3.10 **Disclosure Notes**
Contingent Liabilities – A contingent liability is generally a possible obligation that arises from past events but where the existence of the obligation is dependent (contingent) on future events not within the control of the authority. A contingent liability is not recognised in the accounting statements but is disclosed by way of a note to the accounts. Note 61 (page 88) gives details of all contingent liabilities.

3.11 **Annual Governance Statement** – as considered by this Committee on 27th June 2014 is included in the SoA (pages 11-15).

4. MANAGEMENT LETTER OF REPRESENTATION

4.1 The Management Letter of Representation must be prepared by the Council's Responsible Financial Officer after having made appropriate enquiries of other officers. This Committee, 'as those charged with governance', must acknowledge their collective responsibility for the compilation of the financial statements and consider the adequacy of the letter.

4.2 A copy of the letter is included as **Annexe 4** and provides representations in respect of fraud, compliance with laws and regulations, contingent liabilities, related party disclosures, and post balance sheet events.

5. REPORT TO THOSE CHARGED WITH GOVERNANCE

5.1 The Auditor's report is included as **Annexe 3**. The Auditor will present the report and answer any questions.

6. RECOMMENDATIONS

6.1 That the Committee approves the Statement of Accounts for 2013/14.

6.2 That the Committee approves the Management Letter of Representation.

6.3 That the Committee receives the Report to those Charged with Governance.

7. REASON FOR RECOMMENDATIONS

7.1 To comply with statutory requirements.

B. DAWSON
HEAD OF FINANCE

Chesterfield Borough Council

Statement of Accounts 2013/14

(Subject to Audit)

Chesterfield
BOROUGH COUNCIL

CONTENTS

EXPLANATORY FOREWORD

The purpose of this foreword is to provide a guide to the most significant matters that are reported in the accounts. The pages that follow are the Council's final accounts for 2013/14 and comprise:

Movement in Reserves Statement (MIRS) – provides a summary of the changes that have taken place in the 'reserves' section of the Balance Sheet over the financial year as a result of incurring expenditure and generating income, movements in the fair value of assets and movements in reserves that will affect the availability of resources to the authority.

Comprehensive Income & Expenditure Statement (CIES) – This reports the cost for the year of providing the services for which the Council is responsible rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet – This explains the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the non-current assets held.

Cash Flow Statement – This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Statement of Accounting Policies – This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies, which have been followed in dealing with material items are explained.

Housing Revenue Account (HRA) – This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs – and how these are met by rents and other income.

Collection Fund – This shows the transactions of the Council as a billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government.

Direct Service Organisation (DSO) Revenue Accounts – The statutory obligation to account separately for Direct Service Organisations' operations no longer exists but the Council has decided to maintain separate trading accounts for on-going contracts. The accounts show income, expenditure and surplus for each DSO.

Capital expenditure - has to have a life beyond one year and is financed by loans, capital receipts, capital grants and reserves. The financing of capital expenditure from loans is charged to revenue over a period set in accordance with statutory guidance.

Revenue spending - is generally on items that are consumed within the year and is financed from the Council Tax, government grants and other income.

CHANGES TO THE STATEMENT OF ACCOUNTS

The Statement of Accounts is prepared using the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which defines proper accounting practices for local authorities in England.

There have been two significant changes introduced for 2013/14.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area from 2013/14 onwards. The Collection Fund statement shows the surplus or deficit position individually for both Council Tax and Non Domestic Rate income. Previously, the final position on this statement related only to Council Tax as all business rates collected were paid over to central government. The Council's share of Council Tax and Non Domestic Rates are included in the Comprehensive Income & Expenditure Statement.

The adoption of the 2011 amendments to IAS 19 in the Code for 2013/14 has necessitated a change in accounting policy on the Defined Benefit Pension Scheme. It introduces new classes of components of defined benefit cost to be recognised in the financial statements and new definitions or recognition criteria for service costs and termination benefits.
The pension fund actuary has stated that these changes have no impact on previous years balance sheets. However, changes have been made to the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement and the Cashflow Statement as a result. Comparative figures for previous years have been restated in the notes to the accounts where required. Further details are provided in Note 62.

SUMMARY OF THE FINANCIAL YEAR

2013/14 Budget Process

Before the start of the 2013/14 financial year the Council produced a three-year budget forecast as part of the budget and council tax setting process. The major funding sources for the General Fund are Government grant, fees & charges, rental income from the Council's extensive industrial & commercial property portfolio and the council tax. The first three funding sources were under severe pressure and the Government sought to tightly regulate the fourth.

2013/14 also saw the introduction of a major change to the way in which Government support is provided. A major element of the former Government grant funding was replaced with income from the Business Rates Retention Scheme. The scheme is designed to encourage local authorities to grow the Business Rates tax base as they are now able to retain a share of any growth.

The grant income from the Government and the retained business rates income provide around two thirds of the General Fund Budget requirement with the remaining third coming from the Council Tax. The funding scene had been set in 2010 by the Government's austerity plan to tackle the national budget deficits.

The Provisional Grant Settlement for 2013/14 was announced late in December 2012, with the final settlement being confirmed in early February 2013. The cut in the Councils funding (Government grant and assumed Business Rates income) was £374k or 5%.

Also, the economic downturn put pressure on the Council's budgets, particularly income budgets such as investment returns, property rents, car parking, leisure facilities charges, etc.

When the budget for 2013/14 was set in February 2013 there was still a deficit of £868k to be found from savings in the year. Throughout the year a lot of activity went into finding savings through the Council's business transformation programme, "Great Place:Great Service". The programme aims to deliver savings from a wide range of initiatives including reviews of asset management, workforce, customer services, ICT and service delivery.

The Council Tax was increased by £5 or 3.6% per annum on the Band 'D' tax for the borough services, taking it to £144.89. The £5 increase was a concession allowed by the Government for authorities whose Council Tax was in the lower quartile (lowest 25%) for their type of authority (e.g. shire district council). The Budget was set at £11.3 million and financed as follows:

	Amount £'000	**Proportion of total**
Government Funding (Revenue Support Grant, retained business rates and other grants)	7,377	65%
Collection Fund Deficit	(11)	-
Council Tax	3,934	35%
Total Budget (after savings target)	11,300	100%

Budget Issues Arising During 2013/14

2013/14 proved to be another challenging year in terms of budget management.

The forecast deficit reduced from £234k at the start of 2013/14 to £111k when revised budgets were approved in February 2014. The most significant budget variances, both increases and decreases, reported at the revised budget stage included:

Budget Savings - reduced expenditure/increased income:
Staffing savings £213k
Revenues & Benefits £194k
Income from commercial/industrial rents £176k

Budget Increases - increased expenditure/reduced income:
Car parking income below budget £277k
Market/Market Hall £141k

This improvement to the budget position was in addition to achievement of the savings target of £635k required for 2013/14.

Revenue Budget Outturn

The position at the end of the year was a surplus of £193k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to the Quarter 3 forecast deficit of £111k included:

- Increased income from car parking (£65k);

- Reduced costs in Revenues & Benefits (£82k);
- Reduced costs in Leisure facilities e.g. Sports Centres & Winding Wheel (£85k);
- Reduced costs of Market Hall (£39k);
- Reduced cost of homelessness (£47k);
- Reduced rental income from town centre properties (£45k);
- Net of all other variances (£31k).

Set out below is a summary of the outturn for 2013/14 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

Table: 2013/14 General Fund - Comparison of outturn with the original budget

	Original Budget £000	**Actual £000**	**Variance £000**
Portfolios:			
Leader & Regeneration	465	**427**	(38)
Deputy Leader & Planning	(1,199)	**(13,401)**	(12,202)
Environment	5,205	**5,945**	740
Housing	1,703	**1,026**	(677)
Leisure, Culture & Tourism	3,183	**6,830**	3,647
Governance & Organisational Development	3,491	**3,156**	(335)
Customers & Communities	1,881	**1,510**	(371)
Portfolio Net Expenditure	14,729	**5,493**	(9,236)
Transformation Savings*	(635)	**-**	635
Direct Service Organisations (surplus)/deficit	(38)	**(72)**	(34)
Other - Non-Portfolio Expenditure/(Income)	(194)	**(90)**	104
Service Expenditure	13,862	**5,331**	**(8,531)**
Interest & Capital Charges	(2,098)	**6,780**	8,878
Other Government Grants	(23)	**(552)**	(529)
Business Rates Growth	-	**(47)**	(47)
New Homes Bonus	(298)	**(376)**	(78)
Transfer to/(from) Reserves	23	**(97)**	(120)
Surplus/(Deficit) to/(from) Budget Risk Reserve	(234)	**193**	427
Total Expenditure	11,232	**11,232**	**-**

* The effect of the transformation savings achieved during the year is reflected in the actual individual portfolio totals.

The General Fund Working Balance was maintained at £1.75m during 2013/14.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 17 and 19 presents this same information but in the format specified by the Code for external reporting purposes. A subjective analysis of this statement forms part of note 54 on page 81.

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,592 dwellings. All income and expenditure relating to the landlord function of providing council housing must be accounted for within a ring-fenced account called the Housing Revenue Account (HRA). The ring-fencing means that the account cannot be used to subsidise other Council activities and similarly other activities cannot be used to subsidise the HRA.

The HRA for 2013/14 is set out on pages 91 to 97 and shows an increase to the HRA balance of £4,219,037 due mainly to slippage in the capital programme financed from revenue.

Direct Service Organisations

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSO's) and a P.V.C.U. Window Manufacturing Unit during 2013/14. A summary of their financial performance is shown on page 102.

Full reports on individual D.S.O.s are separately produced and may be obtained from the Head of Finance.

Capital Spending in 2013/14

A summary of the capital expenditure and financing is shown in Note 23 to the core financial statements (page 61).

Capital expenditure on General Fund services totalled £6.7m. The main projects included:

- Market Hall refurbishment - £3.4m
- Eastwood Park restoration - £0.4m
- Queens Park Sports Centre - £0.5m
- Land acquisition (former Fire Station site) - £0.6m
- House Renovation, Disabled Facilities and Decent Homes Grants - £0.7m
- Vehicles, Machinery & Information Technology - £0.4m
- Depot refurbishment - £0.3m
- Other - £0.4m

A large proportion of the General Fund Capital Programme is funded from grants and contributions, £2.5m in 2013/14. The remainder was financed from capital receipts (£0.5m), reserves (£1.1m) unsupported borrowing (£0.5m) and temporary borrowing (£2.1m).

Capital expenditure on Council Housing, aimed particularly at bringing dwellings up to the decent homes standard, was £12.8m of which £9.1m was financed from the Major Repairs Reserve, £1.3m from capital receipts, £0.1m from reserves and £2.3m from grants and contributions.

Total long-term debt outstanding at the end of the year amounted to £138.3m. This should be viewed in relation to the Council's assets which have a net book value of £403m.

The approved capital programme for the next three years will be financed from earmarked reserves, anticipated capital receipts, grants and, where the schemes are of an 'invest-to-save' type, prudential borrowing.

Pension Costs

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£55.8m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities.

The reduction of this deficit will be addressed in future re-valuations of the fund and by the revision of employer's contributions. Changes to the Local Government Pension Scheme are due to be introduced in April 2014 which is intended to make the scheme more affordable.

Reserves & Balances

The Council has maintained its revenue working balances at £1.75m for the General Fund to recognise the increased risks it faces due to the major changes to the system of Local Government finance in April 2013 including Business Rate retention and Localisation of Council Tax support. There is a balance of £12.5m on the Housing Revenue Account at the year-end. In addition, the Council has set money aside in a number of earmarked reserves to meet planned future commitments. The earmarked reserves include £1.0m as a provision for significant revenue budget risks, £0.4m in an Invest to Save fund and £1.2m in a Service Improvement Reserve. (page 43).

Medium Term Outlook

The Council continues to face some significant financial pressures over the medium term as the period of austerity continues, possibly through to 2020.

The last published Local Government Grant Settlement covered only two years, 2014/15 and 2015/16. The cut in the Council's Settlement for 2014/15 was £1.0m or 16%, with a further cut of £1.0m or 19% in 2015/16.

The economic downturn continues to create budget pressures in other areas of the Council's activities. The main pressures include a low level of income from investment returns, property related activities (land charges, planning fees and rents) and discretionary spend areas such as leisure facilities. The revised budget forecasts for the next five years attempt to reflect these pressures but they are difficult to predict. The key income sources will, therefore, be actively monitored throughout the financial year to enable corrective action to be taken at the earliest opportunity.

The medium term budget forecast produced in February 2014 shows a savings target of £0.6m in 2014/15 which increases to £2.8m by 2018/19. In order to deliver the required savings, the Council is implementing a transformation programme, under the banner "Great Place:Great Service" (as described above) which will systematically review the whole organisation.

The forecasts produced in the Medium Term Financial Plan include assumptions about future pay awards, inflation, investment returns, council tax increases, transformation savings etc, but there are also a number of other budget risks and uncertainties that cannot be quantified at this stage, including:

a) The outcome of the Contingent Liability issues as described in Note 61 (page 88);

b) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;

c) Central Government changes to key funding sources such as the New Home Bonus, Local Council Tax Support and Business Rates Retention schemes.

The implications of these risks will be reviewed on a regular basis as more detail and evidence becomes available.

Further Information

This Statement of Accounts provides the financial information for the year. A Corporate Plan has also been developed setting out the Councils' priorities for next year. Copies of this document are available from council buildings and on our website.

Further information about the accounts is available from the Head of Finance and interested members of the public have a statutory right to inspect the accounts prior to audit. The dates on which the accounts are available for inspection are advertised annually in the local press and on the Council's website.

B. DAWSON CPFA
HEAD OF FINANCE

M. RAYNER
CHAIR OF STANDARDS AND AUDIT COMMITTEE

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 responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance 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 Head of Finance has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code;
- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

HEAD OF FINANCE'S CERTIFICATE

I certify that the accounts set out on pages 16 - 102 gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2014.

B.DAWSON CPFA
HEAD OF FINANCE

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Chesterfield Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011 4(3), which requires all relevant bodies to prepare an annual governance statement.

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 all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance framework are as follows:-

Chesterfield Borough Council identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users via its Corporate Plan and

Vision statement which were updated in February 2014. The Corporate Plan consists of 3 priorities:-

To make Chesterfield a thriving borough
To improve the quality of life for local people
To provide value for money services

The plan sets out 5 key projects for 2014/15:-

- To complete the first year of the Great Place, Great Service programme to transform the way we deliver council services.
- To begin work on building the new Queen's Park Sports Centre.
- To begin the first phase of the Chesterfield Waterside regeneration scheme.
- To deliver the Decent Homes Standard for council homes.
- To build Parkside Sheltered Housing Scheme.

The Council's values have also been refreshed and reflect the way the council wants to achieve its vision, these are:-

Customer focused: delivering great customer service, meeting customer needs
Can do: striving to make a difference by adopting a positive attitude
One council, one team: proud of what we do, working together for the greater good
Honesty and respect: embracing diversity and treating everyone fairly

The Corporate Plan is cascaded down through, managers meetings, performance management system, service plans, team plans, performance clinics, budgets and employee development reviews. This flow ensures that resources are utilised for the achievement of the Council's Corporate Plan and vision.

The Council works with a number of partnerships to deliver its aims and regularly reviews these partnerships. There is a partnership protocol and toolkit in place. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. One of the Council's significant partnerships is the Sheffield City Region Local Enterprise Partnership for which there is an inter authority agreement in place. This agreement requires all constituent members to share in any liability incurred by the accountable body which is Sheffield City Council.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking, monitoring budgets and ensuring good procurement practice. The council is in the process of developing a benefits optimisation tool that will identify the priority areas for efficiency reviews. This includes a benchmarking section. Value for money is included in performance clinics and lean reviews are taking place.

Chesterfield Borough Council has a formal constitution in place that sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. In addition, the constitution sets out the roles and responsibilities of Members and Senior Managers.

The Cabinet is the part of the authority which is responsible for most day to day decisions. There are 3 overview and scrutiny committees which support the work of the Council by scrutinising the decisions made. The Standards and Audit Committee are responsible for maintaining and promoting high standards of conduct and for considering the effectiveness of the Council's risk management arrangements and the control environment. The Committee also reviews reports from internal and external audit and other inspection agencies and seeks assurance that action has been taken where necessary.

Formal Codes of Conduct are in place for Members and Officers and are available on the intranet and form part of induction procedures. To further enhance these high standards the Council has in place a comments, complaints and compliments procedure, a Customer Services Charter, an Anti Fraud, Bribery and Corruption policy and a Confidential Reporting (whistle blowing) Code.

In order to ensure compliance with relevant laws and regulations, internal policies and procedures Chesterfield Borough Council has a comprehensive induction policy and provides training for staff and Members on a regular basis. The Constitution is underpinned by legal references. Training needs are identified through Member and employee performance and development reviews and continuous professional development is encouraged. Policies are readily available on the intranet.

Chesterfield Borough Council has a risk management strategy, a risk management group and risk is considered as part of all Cabinet reports. The corporate risk register and service risk registers are regularly reviewed and appropriate training is provided.

The Council has a suitably qualified Business Transformation section and a Business Transformation Strategy.

The Chief Executive is the designated Head of Paid Service, with the statutory responsibility for the overall review of the Council's staffing and operation. The performance management system ensures that the Chief Executive is monitored for performance in the delivery of political priorities which are in turn monitored and measured across all staff. The Council's Monitoring Officer is a Member of the Corporate Management team and suitably qualified.

The Chief Financial Officer is professionally qualified and experienced to undertake their roles and responsibilities. The Chief Financial Officer is a key member of the Corporate Management team and leads and directs a finance function that is fit for purpose. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Internal Audit is provided on a Consortium basis for Bolsover District Council, North East Derbyshire District Council and Chesterfield Borough Council. The Internal Audit function operates in accordance with the Public Sector Internal Audit Standards. The Head of Internal Audit is a Senior Manager, professionally qualified and leads an appropriately resourced and experienced audit team.

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including the Community Engagement Strategy, the

Council's website, the publication of "Your Chesterfield" three times a year and Community Assemblies.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include:

- Internal audit reviews of systems and procedures in accordance with the agreed internal audit plan
- Annual review of the Council's Code of Corporate Governance
- Monitoring Officer reviews and monitors the operation of the Council's Constitution
- The Chief Executive and Heads of Service monitoring the risks and the associated controls assigned to them
- The Chief Financial Officer (the Head of Finance) providing the Council and the Management team, with financial reports and financial advice covering the whole range of Council Activities
- Reviews by external agencies such as the Council's external auditor
- A review of the system of assurances/internal controls
- The Council's Standards and Audit Committee receives reports on the work of internal audit, including the annual report by the head of the internal audit consortium. The annual review of the Local Code of Corporate Governance is reported to both the Standards and Audit Committee and the Council's Cabinet.
- The Cabinet receives and considers reports on the outcome of reviews by the external auditor and other review agencies.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions are outlined below.

Significant Governance Issues

The following significant governance issues have been identified:

No.	Issue	Action Proposed	Target Date
1.	Implementing actions to address the forecast deficits in 2014/15. Other budget	Need to continue to closely manage the Medium Term Financial Plan to ensure that the	01/03/15

	risks such as the continuing impacts of the economic climate on key income streams and investment returns.	Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan for the period 2012-2015. To continue to implement the Transformation Strategy that was approved by Cabinet in May 2012. This will be achieved through the established mechanisms of the Council's Financial Planning Group, Corporate Management Team/Executive Member Budget workshops` and Risk Management Group, and through the preparation of quarterly monitoring reports to the Council's Cabinet and Scrutiny Forum. Regular dialogue with Regional Trade Union Officials will take place.	
2.	Updating Contract Procedure Rules and the Procurement Strategy. Improved arrangements for the tendering and letting of contracts in line with Financial Regulations and Standing Orders.	The review of contract procedure rules will be completed in July 2014 and Corporate procurement training will be arranged by September 2014. The procurement strategy will be updated by December 2014.	30/12/14

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

Signed:

H Bowen Chief Executive	Councillor J Burrows Leader of Chesterfield Borough Council

Date:

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 ‘(Surplus)/Deficit on the Provision of Services’ line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The ‘Net Increase/Decrease before Transfers to Earmarked Reserves’ line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement

	General Fund Balance (restated) £000	Earmarked General Fund Reserve £000	Housing Revenue Account £000	Earmarked Housing Revenue Account Reserve £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves (restated) £000**	Unusable Reserves (restated) £000	**Total Reserves (restated) £000**
Balance at 31st March 2012	**1,500**	**9,643**	**6,397**	**148**	**-**	**-**	**1,344**	**19,032**	**169,042**	**188,074**
Adjustment to balance at 31st March 2012 due to change in Crematorium proportion	**-**	**27**	**-**	**-**	**-**	**-**	**-**	**27**	**52**	**79**
Movement in reserves during 2012/13										
Surplus/ (deficit) on provision of services	(1,378)	333	(3,347)	-	-	-	-	(4,392)	-	(4,392)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(9,825)	(9,825)
Total Comprehensive Income & Expenditure	**(1,378)**	**333**	**(3,347)**	**-**	**-**	**-**	**-**	**(4,392)**	**(9,825)**	**(14,217)**
Adjustments between accounting basis & funding basis under regulations (note 7)	667	(269)	5,263	-	169	-	(228)	5,602	(5,602)	-
Net Increase / Decrease before transfer to Earmarked Reserves	**(711)**	**64**	**1,916**	**-**	**169**	**-**	**(228)**	**1,210**	**(15,427)**	**(14,217)**
Transfer to/from Earmarked Reserves	961	(960)	(37)	36	36	-	-	36	(36)	-
Increase / Decrease in 2012/13	**250**	**(896)**	**1,879**	**36**	**205**	**-**	**(228)**	**1,246**	**(15,463)**	**(14,217)**
Balance at 31st March 2013 carried forward (notes 8, 40 & 41)	**1,750**	**8,774**	**8,276**	**184**	**205**	**-**	**1,116**	**20,305**	**153,631**	**173,936**
Movement in reserves during 2013/14										
Surplus/ (deficit) on provision of services	8,808	133	21,725	-	-	-	-	30,666	-	30,666
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	14,265	14,265
Total Comprehensive Income & Expenditure	**8,808**	**133**	**21,725**	**-**	**-**	**-**	**-**	**30,666**	**14,265**	**44,931**
Adjustments between accounting basis & funding basis under regulations (note 7)	(7,758)	(21)	(17,394)	-	197	66	124	(24,786)	24,786	-
Net Increase / Decrease before transfer to Earmarked Reserves	**1,050**	**112**	**4,331**	**-**	**197**	**66**	**124**	**5,880**	**39,051**	**44,931**
Transfer to/from Earmarked Reserves	(1,050)	1,049	(112)	112	27	-	-	26	(26)	-
Increase / Decrease in 2013/14	**-**	**1,161**	**4,219**	**112**	**224**	**66**	**124**	**5,906**	**39,025**	**44,931**
Balance at 31st March 2014 carried forward (notes 8, 40 & 41)	**1,750**	**9,935**	**12,495**	**296**	**429**	**66**	**1,240**	**26,211**	**192,656**	**218,867**

COMPREHENSIVE INCOME & 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 taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Comprehensive Income & Expenditure Statement brings together all the activities of the authority, summarises all the resources that the authority has consumed in providing those services and consolidates all the gains and losses experienced during the financial year.

The Statement has two sections.

The first section provides information on the costs of local authority services, net of specific grants and income from fees and charges to give the ‘Surplus or Deficit on the Provision of Services’. This represents the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income.

The second section, ‘Other Comprehensive Income & Expenditure’ shows any changes in net worth for any other reason: eg as a result of movements in the value of non-current assets or actuarial gains or losses on pension liabilities.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2012/13				2013/14		
Expenditure (restated) £000	**Income (restated) £000**	**Net Expenditure (restated) £000**		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
11,495	(10,118)	**1,377**	Central Services to the Public	2,214	(898)	**1,316**
11,256	(4,775)	**6,481**	Cultural	11,061	(4,633)	**6,428**
7,792	(3,943)	**3,849**	Environmental	7,843	(4,165)	**3,678**
7,359	(5,119)	**2,240**	Planning	6,834	(5,150)	**1,684**
2,822	(3,230)	**(408)**	Highways & Transport	2,700	(3,115)	**(415)**
38,276	(37,451)	**825**	Other Housing Services	38,844	(37,785)	**1,059**
9,626	(7,491)	**2,135**	Corporate & Democratic	8,316	(7,380)	**936**
42	-	**42**	Non-Distributed Costs	314	-	**314**
88,668	(72,127)	**16,541**	**COST OF GENERAL FUND SERVICES**	78,126	(63,126)	**15,000**
31,723	(35,629)	**(3,906)**	Local Authority Housing (HRA)	13,027	(37,264)	**(24,237)**
120,391	(107,756)	**12,635**	**COST OF SERVICES**	91,153	(100,390)	**(9,237)**
3,418	-	**3,418**	Other operating expenditure (Note 9)	2,103	-	**2,103**
9,906	(5,371)	**4,535**	Financing and investment income & expenditure (note 10)	(1,836)	(5,059)	**(6,895)**
-	(16,196)	**(16,196)**	Taxation and non-specific grant income (Note 11)	-	(16,637)	**(16,637)**
		4,392	**(Surplus)/Deficit on Provision of Services**			**(30,666)**
		(1,526)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			**(1,392)**
		-	(Surplus)/deficit on revaluation of available for sale financial assets			**-**
		11,351	Actuarial (gains)/losses on pension liabilities			**(12,873)**
		-	Other			**-**
		9,825	**Other Comprehensive Income & Expenditure**			**(14,265)**
		14,217	**Total Comprehensive Income & Expenditure**			**(44,931)**

BALANCE SHEET

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

The first category of reserves are usable reserves, i.e. those reserves 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 (e.g. the capital receipts reserve that 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 (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

BALANCE SHEET AS AT 31ST MARCH 2014

2012/13 £000		2013/14 £000	Notes
252,365	Council Dwellings	**265,915**	)
58,377	Other Land & Buildings	**58,361**	)
578	Vehicles, Plant, Furniture & Equipment	**553**	)19,22,
3,632	Infrastructure Assets	**3,400**	)23,25
4,072	Community Assets	**4,072**	)
1,173	Assets Under Construction	**1,596**	)
1,226	Surplus Assets Not Held for Sale	**1,246**	)
321,423	**Property, Plant & Equipment**	**335,143**	
2,204	Heritage Assets	**2,204**	20
44,370	Investment Properties	**59,336**	24
132	Intangible Assets	**236**	21
-	Long Term Investments	**4,410**	
1,301	Long Term Debtors	**1,282**	28
369,430	**Long Term Assets**	**402,611**	
54	Assets Held for Sale - Property, Plant & Equipment	**149**	33
1,632	Assets Held for Sale - Investment Properties	**2,046**	33
23,733	Short Term Investments	**19,573**	
358	Inventories	**317**	30
7,075	Short Term Debtors	**7,718**	31
811	Cash & Cash Equivalents	**477**	32
33,663	**Current Assets**	**30,280**	
(10,753)	Short Term Borrowing	**(6,930)**	
(8,674)	Short Term Creditors	**(10,034)**	34
(485)	Short Term Provisions	**(989)**	35
(294)	Cash Overdrawn	**(60)**	32
(20,206)	**Current Liabilities**	**(18,013)**	
(139,906)	Long Term Borrowing	**(138,296)**	
(2,771)	Long Term Provisions	**(1,462)**	35
(66,103)	Net Pension Scheme Liabilities	**(55,791)**	15 & 57
(136)	Other Long Term Liabilities	**(132)**	
(35)	Capital Grants Receipts in Advance	**(330)**	
(208,951)	**Long Term Liabilities**	**(196,011)**	
173,936	**Net Assets**	**218,867**	
20,305	Usable Reserves	**26,211**	8,40
153,631	Unusable Reserves	**192,656**	41-48
173,936	**Total Reserves**	**218,867**	

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 of 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 outflows 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.

CASH FLOW STATEMENT

2012/13 (restated) £000		**2013/14 £000**
4,392	Net (surplus)/deficit on provision of services	**(30,666)**
(24,913)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 49)	**9,937**
6,088	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 50)	**7,797**
(14,433)	Net cash flows from Operating Activities (Note 51)	**(12,932)**
11,560	Investing Activities (Note 52)	**10,249**
3,160	Financing Activities (Note 53)	**2,783**
287	**Net increase/decrease in cash and cash equivalents**	**100**
(804)	Cash and cash equivalents at beginning of reporting period	**(517)**
(517)	**Cash and cash equivalents at end of reporting period (Note 32)**	**(417)**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end 31st March 2014.

The Accounts and Audit Regulations 2011 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 ACCRUALS OF EXPENDITURE & INCOME

Income and expenditure in general are accounted for in the year in which they become due whether or not the cash has been actually received or paid in the year.

Exceptions to this principle relate to electricity and similar quarterly payments which are charged at the date of the meter reading rather than being apportioned between years and wages payments for which only full weeks pay is recorded. This policy is applied consistently each year and does not have a material effect on the year's accounts.

A further exception relates to wages. Only 52 weeks wages are included each year which means that the accounts do not include 1 days pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2013/14 is a 52 week year for weekly payroll costs.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is included in the Balance Sheet.

1.3 CASH & 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 any other instrument repayable within a 24 hour period.

Our externally managed funds are held for investment purposes and are not included within cash and cash equivalents.

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.

1.4 INTERNAL INTEREST

Internal interest is credited to the various funds on the basis of their respective cash flow positions. The rate of interest used is the average 7 day LIBOR.

1.5 OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received.

The exception to this is:

- Corporate & Democratic Core (costs relating to the Authority's status as a multi-functional, democratic organisation)
- Non-Distributed Costs

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end and include salaries, wages, paid annual and sick leave and bonuses, and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements or any form of leave, earned by an employee but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary level applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 'Surplus or Deficit on the Provision of Services' so that holiday benefits are charged to revenue in the financial year in which the holiday occurs, but then reversed out through the Movement in Reserves Statement.

Termination Benefits

These 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 accepts voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income & Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when it recognises costs for a restructuring.

Post Employment Benefits

Employees of the council may be members of the Local Government Pension Scheme administered by Derbyshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the council.

The Local Government Pension Scheme

The liabilities of the pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings etc.

The assets of the pension scheme attributable to the council are included in the balance sheet at their fair value:

Quoted securities	current bid price
Unquoted securities	professional estimate
Unitised securities	current bid price
Property	market value

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income & Expenditure Statement to the revenue accounts of services for which the employees worked

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of non-distributed costs

- Net interest on the net 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 in the Comprehensive Income & 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 liability during the period as a result of contributions and benefit payments

- Remeasurements comprising:

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

    - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income & Expenditure

- Contributions paid to Derbyshire 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 require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

1.7 VALUE ADDED TAX

Value added tax (VAT) is only included in the Council's accounts to the extent that it is not recoverable from HM Revenue & Customs.

1.8 EVENTS AFTER THE BALANCE SHEET DATE

These are events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect these events

- Those indicative of conditions arising after the reporting period – the Statement of Accounts is not adjusted, but where the event would have a material effect, disclosure is made in the notes on the nature of the event with an estimate of the financial effect

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

1.9 INVENTORIES

The majority of inventories are included in the Balance Sheet at cost, although the last invoice price has been used in some instances as a proxy for cost.

1.10 RESERVES

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

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

1.11 <u>PROVISIONS</u>

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 of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 68).

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

When payments are eventually made, they are charged to the provision in the Balance Sheet. The provision is reviewed at the end of each financial year and any reduction in provision is reversed and credited back to the relevant service.

1.12 <u>INVESTMENT PROPERTY</u>

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value. These properties are not depreciated but are revalued annually according to market conditions at the year end and any gains or losses on revaluation, or disposal, are included in the Financing & Investment Income line in the Comprehensive Income and Expenditure Statement. These are subsequently reversed out of the General Fund Balance in the Movement of Reserves Statement and transferred to the Capital Adjustment Account.

Rentals from investment properties are credited to the Financing & Investment Income line and result in a gain for the General Fund.

1.13 <u>PROPERTY, PLANT & EQUIPMENT</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the asset yields benefits to the authority and the services it provides. This excludes expenditure on routine repairs and maintenance which is charged direct to service revenue accounts. Capital expenditure below £20,000 on land and property assets and below £10,000 on vehicles, plant and equipment is classed as de-minimis.

Assets are initially measured at cost. The cost of assets other than by purchase is deemed to be its fair value.

Donated assets are measured initially at fair value. The difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income & Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated

Assets Account. Where gains are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction are included in the balance sheet at depreciated historic cost.
- dwellings are included in the balance sheet at fair value, on the basis of existing use for social housing
- all other assets are valued at fair value, on the basis of existing use

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

Non property assets with short useful lives or low values are valued on a depreciated historical cost basis as a proxy for fair value.

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

Increases arising from the re-valuation are credited to the revaluation reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Comprehensive Income & Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for as follows:

- 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 1st April 2007 only, the date of its formal inception. Gains before that date have been consolidated into the Capital Adjustment Account.

<u>Intangible Assets</u>

Expenditure on assets that do not have physical substance but are controlled by the Council (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

<u>Non-current Assets Held for Sale</u>

When it becomes probable that the carrying amount of an asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Immediately before the initial classification of an asset as held for sale, the carrying amount of the asset is measured in accordance with the relevant section of the Code.

If there is a decrease in value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria for 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.

Council house ‘Right to Buy’ applications are not classed as Assets Held for Sale, as the probability of these sales are uncertain until completion takes place and are outside the authority’s control.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts in excess of £10,000 are categorised as capital receipts. Receipts from disposals are credited to the same line on the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account.

A proportion of receipts from housing disposals have to be repaid to Government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used to fund new capital investment or set aside to reduce the council’s underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for in separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

1.14 DEPRECIATION & IMPAIRMENT

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets with no determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation charges are calculated as follows:

- dwellings and other buildings - using the straight line method over the useful life of the asset (which can be determined at the time of acquisition or revaluation).

- Vehicles - depreciated by 25% on a reducing balance basis.

- Plant and equipment - depreciated on a straight line basis.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

An individual asset or asset group is considered for splitting into components if:

- the fair value of the asset is material (i.e. over £1m)
- the value of an individual component is more than 15% of total asset value
- the component life is significantly different to the life of the main asset

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Impairment – The value of assets are reviewed at the end of each year for evidence of reductions in value. Where impairment is identified and possible losses 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 and accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount is written down against that balance (up to the amount of 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

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

1.15 HERITAGE ASSETS

The Authority has seven classes of heritage assets. They are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. All of the heritage assets identified have indefinite lives and will therefore not be subject to depreciation. The Authority's classes of heritage assets are accounted for as follows:

Historic Sites & Buildings
These assets are measured at valuation using conventional valuation approaches with the exception of Barrow Hill Railway Heritage Centre which does not lend itself to this approach and is measured at historical cost.

War Memorials/Other Monuments
The Authority has 17 war memorials together with various other monuments, including the Peace Fountain in Eastwood Park. Four war memorials and the fountain are included in the balance sheet. They were not acquired recently and reliable information on cost is not available. These assets are not insured and it is considered impractical to obtain valuation information due to a lack of comparable transactions and the relative insignificance of the assets in purely financial terms. Therefore, with the exception of assets already on the balance sheet, no other existing assets in this category will be recognised. Assets acquired in future will be measured at historical cost.

Percent For Art
Current planning policy requires developers to include a work of art to the value of 1% of total project cost on the site. It is considered impractical to obtain reliable information on cost for most of the asset base in this class due to the difficulty of obtaining information from third parties or the difficulty of separating costs relating to artwork from other capital costs. These assets are not insured and it is considered impractical to obtain valuation information due to lack of comparable transactions and the diversity of the assets themselves. Therefore no existing asset in this class will be recognised on the balance sheet. Assets acquired in future will be measured at historical cost.

Rosewall Sculpture
This sculpture by Barbara Hepworth is carried on the balance sheet at valuation by a specialist dealer in modern art.

Mayoral Regalia and Civic Plate, Paintings and Porcelain
These two classes of asset are recognised on the balance sheet at valuation.

Museum Collection
The collection contains approximately 30,000 items and a high proportion of these have only minimal commercial value. Except for recent acquisitions, reliable information on cost is not available. In general, conventional valuation approaches would be unsuitable due to the number and diversity of items, together with the unique and irreplaceable nature of many of the items concerned. Some parts of the collection e.g fine arts, do lend themselves to a more conventional valuation approach. Those items within the collection with a readily ascertainable market value are recognised on the balance sheet at valuation. Assets acquired in future will be measured at historical cost.

The carrying amount of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority’s general policy on impairment. Any proceeds from disposals are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The de-minimis level for individual heritage assets is £50,000 (excluding assets that have already been recognised). For practical reasons, Mayoral Regalia, Civic Plate, Paintings and Porcelain and the Museum Collection will be treated as one group and a lower de-minimis level of £10,000 will therefore be applied to additions/disposals which impact on this group.

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets used in the provision of services 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 they can be written off
- amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis in accordance with statutory guidance). This is referred to as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the cost of this expenditure is met from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so there is no impact on the level of council tax.

1.18 GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants and other contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Money received by the authority for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.19 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset 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 which 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

Assets held under finance leases are recognised on the balance sheet. Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Financing & Investment Income line in the Comprehensive Income and Expenditure Statement.

Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service using the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

The Council leases some of its properties to third parties. The value of these assets is included in the Balance Sheet.

Rent is charged for the use of these properties and is included in the Planning line in the Comprehensive Income & Expenditure Statement and credits are made on a straight-line basis over the life of the lease.

1.20 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income & 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. This means that the amount in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement. Where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income & Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

- Assets at Fair Value through Profit or Loss – assets that are held for trading

Loans & Receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest so the amount in the balance sheet is the outstanding principle receivable and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year per the loan agreement.

The authority may also make loans to the voluntary sector at less than market rates. The accounting treatment of these ‘soft loans’ reflects the fact that the authority is locking itself into an arrangement where it will incur a loss of interest over the life of the loan. This lost interest is charged to the relevant service area in the Comprehensive Income & Expenditure Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.

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

Available for Sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income line in the Comprehensive Income & Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income & Expenditure Statement when it becomes receivable.
Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income line in the Comprehensive Income & Expenditure Statement.

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

Assets at Fair Value through Profit or Loss are, under the provisions of the Code, those assets that meet the definition of 'held for trading' contained in FRS 26. The authority has chosen to classify its externally-managed investments as at fair value through profit or loss.

1.21 INTEREST IN COMPANIES AND OTHER ENTITIES

If the Council has material interests in companies and other entities that have the nature of subsidiary, associates and jointly controlled entities, it is required to prepare group accounts.

There were no group accounts identified for 2013/14.

The Council has a JANE (Joint Arrangement that is Not an Entity) with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. Note 57 on page 85 provides further details.

1.22 CONTINGENT ASSETS/LIABILITIES

Contingent assets/liabilities are not recognised in the accounting statements but, where they exist, they are disclosed by way of a note to the accounts.

1.23 PRIOR PERIOD ADJUSTMENTS

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 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 and relevant information on the Authority's financial position. Any change is applied retrospectively 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 adjusting opening balances and comparative amounts for the prior period.

1.24 INVESTMENTS

Externally managed investments are classified as fair value through profit and loss.

1.25 PRIVATE PUBLIC PARTNERSHIP

The Council has entered a contract for the provision of certain services by a private sector partner. The charge made by them for services provided under this agreement is charged to the relevant service line of the Comprehensive Income & Expenditure Statement.

Any changes to the value of assets as a result of this contract will be reflected in the Balance Sheet as they arise.

1.26 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

From 2013/14, the Code requires that where authorities have transactions that include amounts that are reclassifiable in the surplus/deficit on the provision of services, items listed in the Other Comprehensive Income & Expenditure section of the statement must be grouped into those items that will not be subsequently reclassified and those that will. This authority does not have any transactions that are reclassifiable and has not therefore grouped the items into two separate categories.

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

The Code of Practice on Local Authority Accounting for 2014/15 has introduced several changes in accounting policies which will be required from 1st April 2014. The changes are detailed below.

IFRS 10 Consolidated Financial Statements – this introduces a new definition of control to determine which entities are consolidated for the purposes of group accounts. The Council has no subsidiaries or associates and group accounts are not required.

IFRS 11 Joint Arrangements – this deals with accounting for a joint arrangement which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint operation or a joint venture. In addition, proportionate consolidation can no longer be used for jointly controlled entities. The Council has no joint venture arrangements.

IFRS 12 Disclosure of Involvement with Other Entities – this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Details of current interests are included in note 55 on related party transactions.

IAS 27 Separate Financial Statements/IAS 28 Investments in Associates and Joint Ventures – these statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there are no changes in the financial statements due to changes to IFRS 10, 11 and 12, there is no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation – The Code makes reference to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Income & Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of Financial Statements – this change clarifies the disclosure requirements in respect of comparative information for the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period and this change will therefore have no impact on the Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting polices 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has an outsourcing agreement for back office functions with Arvato. It has determined that this arrangement constitutes a service concession arrangement.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 Balance Sheet at 31st March 2014, for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including mortality rates, expected return on fund assets and future salary rate increases. A firm of actuaries are engaged by the pension fund administrator to advise on the assumptions to be applied.	These assumptions interact in complex ways. During 2013/14, the actuaries advised that the net pensions liability had reduced by £11.664m because of estimates being corrected as a result of experience and reduced by £1.235m attributable to updating their assumptions.
Arrears	At 31st March 2014, the Authority had a balance of sundry debtors of £3.6m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.5m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £36k to be found.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that this level of spending on repairs and maintenance can be sustained, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, including council houses, would increase by £851k for every year that useful lives had to be reduced.

A further source of uncertainty has arisen due to the introduction of the Business Rates Retention Scheme from 1st April 2014. Local Authorities are now liable for a proportion of successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate shares. Therefore a provision has been recognised in the accounts to cover this liability. It is difficult to judge the size of the provision required due to the high level of uncertainty as to when and if the appeals will be decided and which appeals will be successful. The provision has been calculated using information from the Valuation Office ratings list of appeals and an analysis of successful appeals to date by an independent company.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The programme of capital expenditure on Council Housing remained high at £12.8m in 2013/14. This spending is aimed at bringing dwellings up to the decent homes standard. It is anticipated that this level of investment will continue into future years.

6. EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts was authorised for issue on 27/06/2014 by the Head of Finance, Barry Dawson CPFA. This is also the date up to which events after 31st March 2014 have been considered.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

Income and expenditure charged to the General Fund and which must be taken into account in determining a local authority budget requirement and therefore it's council tax is determined by statute and non-statutory proper practices rather than being in accordance with IFRS requirements.

Whilst the amounts which must be included in the Comprehensive Income and Expenditure Statement and the amounts required by statute and non-statutory practices to be included in the General Fund are largely the same, there are a number of differences.

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

	Usable Reserves					
2013/14	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						
Depreciation, impairment & revaluation losses of non-current assets	2,558	(4,063)				1,505
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,104	3,274				(4,378)
Movement in market value of Investment Properties	(9,073)	(3,313)				12,386
Amortisation of intangible assets	10					(10)
Capital grants & contributions applied	(4,989)				124	4,865
Donated Assets	(30)					30
Revenue expenditure funded from capital under statute	824					(824)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(317)					317
Capital expenditure charged against General Fund and HRA balances	(820)	(35)				855
Voluntary Repayment of Debt		(2,139)				2,139
Adjustments primarily involving						

Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(1,775)			1,775
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	760		(760)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(465)	(2,267)	2,732			
Adjustment primarily involving Major Repairs Reserve:						
HRA depreciation & impairment		(7,358)		7,358		
Excess of Major Repairs Allowance Over HRA depreciation		(1,790)		1,790		
Use of Major Repairs Reserve to finance new capital expenditure				(9,082)		9,082
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	5					(5)
Adjustments primarily involving Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	6,254	245				(6,499)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(3,938)					3,938
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	371					(371)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(33)	52				(19)
Total Adjustments	(7,779)	(17,394)	197	66	124	24,786

	Usable Reserves					
2012/13	General Fund Balance (restated) £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves (restated) £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						
Depreciation, impairment & revaluation losses of non-current assets	2,170	15,747				(17,917)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	417	4,201				(4,618)
Movement in market value of Investment Properties	14					(14)
Amortisation of intangible assets	31					(31)
Capital grants & contributions applied	(3,819)				(228)	4,047
Donated Assets	(75)					75
Revenue expenditure funded from capital under statute	915					(915)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(345)					345
Capital expenditure charged against General Fund and HRA balances	(639)	(4,132)				4,771
Adjustments primarily involving Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(1,416)			1,416
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	650		(650)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(409)	(1,826)	2,235			
Adjustment primarily involving Major Repairs Reserve:						
HRA depreciation & impairment		(6,887)		6,887		
Excess of Major Repairs Allowance Over HRA depreciation		(1,976)		1,976		
Use of Major Repairs Reserve to finance new capital expenditure				(8,863)		8,863
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	9					(9)
Adjustments primarily involving Pensions Reserve:						

Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	5,362	143				(5,505)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(3,873)					3,873
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to Comprehensive Income & Expenditure Statement is different from council tax income calculated for year in accordance with statutory requirements	47					(47)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(57)	(7)				64
Total Adjustments	398	5,263	169	-	(228)	(5,602)

8. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance 1/4/2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance 31/03/2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance 31/03/2014 £000
General Fund							
Vehicles & Plant	712	365	(204)	873	362	(168)	1,067
Information Technology	45	146	(140)	51	146	(151)	46
Crematorium							
Mercury Abatement	10	53	-	63	50	-	113
Capital Improvements	327	95	(278)	144	91	(21)	214
Capital Reserves	1,094	659	(622)	1,131	649	(340)	1,440
General Fund							
Invest to Save	916	-	(141)	775	-	(382)	393
Budget Risk Reserve	788	367	(545)	610	606	(216)	1,000
Service Improvement	1,598	134	(245)	1,487	8	(319)	1,176
Property Improvement	896	1,470	(1,854)	512	1,487	(1,357)	642
Insurance	229	-	(52)	177	393	(3)	567
Tenants Property	627	226	(225)	628	235	(269)	594
Tapton Innovation Centre	171	25	-	196	26	(21)	201
DSO/DLO Reserve	563	239	(57)	745	218	(272)	691
Community Forums	116	40	(56)	100	-	(100)	-
Planning Inquiry	195	28	-	223	76	(58)	241
Flood Restoration	82	-	-	82	-	-	82
Northern Gateway	59	-	(59)	-	-	-	-
Asset Management	50	-	(6)	44	-	-	44
Waterside – Affordable Homes	145	63	-	208	-	-	208
Elections Equipment	1	1	-	2	-	-	2
Working Neighbourhoods	480	-	(153)	327	-	(103)	224
Museum Exhibits	26	-	(1)	25	-	-	25
Internal Audit Consortium	7	12	-	19	42	(19)	42
Risk Management Fund	18	8	(3)	23	5	(18)	10
S106	413	10	(37)	386	135	(159)	362
Revenue Grants Unapplied	1,038	799	(961)	876	628	(777)	727
Defibrillator	4	-	(4)	-	-	-	-
MMI Insurance Reserve	-	-	-	-	503	-	503
Business Rates	-	-	-	-	238	-	238
Repaid Improvement Grants	-	-	-	-	76	-	76
Zurich Insurance Risk Reserve	-	-	-	-	10	-	10
Building Control	-	-	-	-	50	-	50
Great Place:Great Service	-	-	-	-	50	-	50
Crematorium							
Crematorium Balance	119	70	-	189	162	(50)	301
Cremator Repairs	-	-	-	-	33	(9)	24
Crematorium Equipment	3	3	-	6	3	-	9
Organ Reserve	5	3	(6)	2	-	-	2
Revenue Reserves	8,549	3,498	(4,405)	7,642	4,984	(4,132)	8,494
Total Earmarked Reserves	9,643	4,157	(5,027)	8,773	5,633	(4,472)	9,934
General Fund Working Balance	1,500	250	-	1,750	-	-	1,750
HRA							
Housing Revenue Account Balance	6,397	1,887	(8)	8,276	4,288	(69)	12,495
Major Repairs Reserve (HRA)	-	8,863	(8,863)	-	9,148	(9,082)	66
Revenue Grants Unapplied	148	116	(80)	184	112	-	296
Total HRA Reserves	6,545	10,866	(8,951)	8,460	13,548	(9,151)	12,857

9. OTHER OPERATING EXPENDITURE

	2013/14 £000	2012/13 £000
Parish council precepts	**306**	385
Payments to Housing Capital Receipts Pool	**761**	650
(Gains)/losses on disposal of non-current assets	**968**	2,383
Other	**68**	-
TOTAL	**2,103**	3,418

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	2012/13 (Restated) £000
Interest payable & similar charges	**5,760**	5,882
Net interest on net defined benefit liability	**2,770**	2,581
Interest and Investment Income	**(173)**	(379)
Income and expenditure in relation to Investment Properties	**(2,829)**	(2,780)
(Gain)/loss on disposal of Investment Properties	**677**	-
Changes in fair value of Investment Properties	**(12,386)**	13
(Gain)/loss on trading accounts	**(714)**	(782)
TOTAL	**(6,895)**	4,535

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2013/14 £000	2012/13 £000
Council tax income	**(4,300)**	(4,969)
Business Rates income & expenditure	**(2,552)**	(6,668)
Non-ringfenced government grants	**(5,333)**	(1,276)
Capital grants and contributions	**(4,422)**	(3,208)
Donated assets	**(30)**	(75)
TOTAL	**(16,637)**	(16,196)

12. OTHER TRADING UNDERTAKINGS

In 2013/14, the following trading activities were reported within the Comprehensive Income & Expenditure Statement. The Service Reporting Code of Practice requires trading accounts that are an integral part of the total cost of a service to be consolidated fully into the total cost of that service.
Accordingly, the following activities have been consolidated into the relevant service area within the Cost of Services Section of the Comprehensive Income & Expenditure Statement and are shown below as a disclosure note.

	2013/14			2012/13
	Gross Expenditure £000	**Income £000**	**(Surplus)/ Deficit £000**	**(Surplus)/ Deficit £000**
Markets	910	(985)	**(75)**	(57)
Trade Refuse	433	(544)	**(111)**	(131)
Industrial Units	1,385	(2,624)	**(1,239)**	(1,259)
Town Centre shops	2,489	(3,728)	**(1,239)**	(1,221)
	5,217	(7,881)	**(2,664)**	(2,668)

Markets – this includes the two open markets, car boot sales and the Market Hall – the trading objective is to at least break even.
Trade Refuse – this service is open to all businesses operating in the borough – the trading objective is to at least break even.

Industrial/Commercial Units – the authority lets 238 units throughout the borough. The objective is to support business development and create job opportunities. Incentives to potential occupiers may be offered and the target is to secure at least 90% occupancy levels, provide employment and maximise revenue from the property portfolio.

Town Centre Shops – the authority lets 79 units in Chesterfield & Staveley town centres. The objective is to create a vibrant and diverse economy, to secure employment and to maximise revenue from the property portfolio.

13. OFFICERS REMUNERATION

The number of all employees whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 were:

Remuneration Band	No. of Employees	
	2013/14	**2012/13**
£50,000 - £54,999	**1**	3
£55,000 - £59,999	**1**	-
£60,000 - £64,999	**1**	-
£65,000 - £69,999	**5**	5
£70,000 - £74,999	**-**	1
£75,000 - £79,999	**-**	-
£80,000 - £84,999	**-**	-
£85,000 - £89,999	**-**	-
£90,000 - £94,999	**-**	-
£95,000 - £99,999	**-**	-
£100,000 - £104,999	**1**	1

The following tables set out the remuneration disclosure for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

2013/14 Post title	Salary (incl fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g car allowance) £	Compensation for loss of Employment £	Total Remuneration excluding pension contributions 2013/14 £	Pension Contributions £	Total Remuneration incl pension contributions 2013/14 £
Chief Executive	104,626	-	303	-	104,929	12,749	117,678
Head of Housing*	20,288	-	47	35,801	56,136	2,470	58,606
Head of Regeneration	65,775	59	807	-	66,641	7,991	74,632
Head of Environment	65,627	-	-	-	65,627	7,991	73,618
Head of Finance	65,810	100	103	-	66,013	7,991	74,004
Head of Governance	65,500	-	-	-	65,500	7,991	73,491
Head of Business Transformation	65,500	-	244	-	65,744	7,991	73,735
Housing Manager** (Customer Services)	33,831	-	942	-	34,773	4,117	38,890
Housing Manager** (Operational Services)	34,045	-	-	-	34,045	4,081	38,126
Housing Business Planning & Strategy Manager**	31,669	20	-	-	31,689	3,844	35,533
Total	**552,671**	**179**	**2,446**	**35,801**	**591,097**	**67,216**	**658,313**

* The Head of Housing left 22/7/13.

** The Head of Housing was not replaced. From 23/7/13, three senior housing managers now report directly to the Chief Executive.

2012/13 Post title	Salary (incl fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g car allowance) £	Total Remuneration excluding pension contributions 2012/13 £	Pension Contributions £	Total Remuneration incl pension contributions 2012/13 £
Chief Executive*	104,626	121	240	104,987	12,749	117,736
Acting Deputy Chief Executive**	53,360	-	165	53,525	6,510	60,035
Head of Housing	65,627	40	232	65,899	7,991	73,890
Head of Regeneration	65,780	-	354	66,134	7,991	74,125
Head of Environment	65,960	-	-	65,960	7,991	73,951
Head of Finance	65,800	323	114	66,237	7,991	74,228
Head of Governance	65,500	321	26	65,847	7,991	73,838
Head of Business Transformation***	21,167	-	-	21,167	2,582	23,749
Acting Head of Business Transformation****	39,000	-	341	39,341	4,758	44,099
Total	**546,820**	**805**	**1,472**	**549,097**	**66,554**	**615,651**

* The Chief Executive was also paid £3,863 for Acting Returning Officer duties. These are not included in the table above.

** The post of Deputy Chief Executive ceased on 30/11/2012

*** The Acting Deputy Chief Executive returned to the post of Head of Business Transformation from 01/12/2012

**** The Acting Head of Business Transformation ceased on 30/11/2012

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. The total cost has been agreed and charged to the Comprehensive Income & Expenditure Statement in the year indicated.

Exit package cost band	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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
							£000	£000
£0 - £20,000	3	10	7	21	10	31	71	269
£20,001 - £40,000	1	-	-	2	1	2	27	60
Total	4	10	7	23	11	33	98	329

14. AGENCY SERVICES

The Council previously had an agency agreement with Derbyshire County Council whereby the Council was responsible for maintaining highways within the Borough on behalf of the County Council. Although this agreement has been terminated, the Council continues to provide an amenity maintenance service on behalf of the County Council and they reimburse the Council for this work, including a contribution towards administrative costs.

Total expenditure in 2013/14 was £253,716 (£253,747 in 2012/13).

15. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although the benefits of this scheme are not actually payable until employees retire, the authority has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme and Derbyshire County Council administers the scheme. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Derbyshire pension 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 Derbyshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 to the pension fund in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:-

Transactions Relating to Retirement Benefits		
Comprehensive Income & Expenditure Statement	**2013/14 £000**	2012/13 £000 (restated)
Cost of Services		
Service cost comprising:		
• Current service cost	**3,622**	2,906
• Past service costs	**291**	18
Financing & Investment Income and Expenditure		
• Net interest expense	**2,770**	2,581
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	**6,683**	5,505
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	**173**	(9,727)
• Actuarial gains and losses arising on changes in demographic assumptions	**(1,929)**	1,864
• Actuarial gains and losses arising on changes in financial assumptions	**548**	19,214
• Other	**(11,665)**	-
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**(6,190)**	16,856

Movement in Reserves Statement		
• Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code	**(6,683)**	(5,505)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	**4,122**	3,873

<u>Pension Assets and Liabilities Recognised in the Balance Sheet</u>

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

	2013/14 £000	2012/13 £000
Present value of defined benefit obligation	**185,838**	192,057
Fair value of plan assets	**(130,372)**	(126,243)
Net liability arising from defined benefit obligation	**55,466**	65,814

<u>Reconciliation of Movements in the Fair Value of Scheme Assets</u>

	2013/14 £000	2012/13 £000 (restated)
Opening fair value of scheme assets	**126,243**	112,158
Interest income	**5,278**	5,470
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	**(163)**	9,673
Contribution from employer	**4,105**	3,858
Contributions from employees into the scheme	**992**	988
Benefits paid	**(6,083)**	(5,904)
Closing fair value of scheme assets	**130,372**	126,243

<u>Reconciliation of Present Value of Scheme Liabilities</u>

	2013/14 £000	2012/13 £000 (restated)
Opening balance at 1st April	**192,057**	165,035
Current service cost	**3,607**	2,897
Interest cost	**8,036**	8,038
Contribution from scheme participants	**992**	988
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	**(1,937)**	1,864
• Actuarial gains/losses arising from changes in financial assumptions	**539**	19,121
• Other	**(11,664)**	-
Past service cost	**291**	18
Benefits paid	**(6,083)**	(5,904)
Closing balance at 31st March	**185,838**	192,057

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2013/14				2012/13			
	Quoted prices in active markets £000	**Quoted prices not in active markets £000**	**Total £000**	% of Total Assets	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets
Cash and cash equivalents	7,235	-	**7,235**	6%	8,290	-	8,290	7%
Equity Securities								
• Consumer	11,242	-	**11,242**	9%	9874	-	9,874	8%
• Manufacturing	18,469	-	**18,469**	14%	18,255	-	18,255	14%
• Energy & utilities	11,634	-	**11,634**	9%	10,878	-	10,878	9%
• Financial institutions	22,657	-	**22,657**	17%	20,583	-	20,583	16%
• Health and care	6,932	-	**6,932**	5%	6,444	-	6,444	5%
• Information technology	3,633	-	**3,633**	3%	3,553	-	3,553	3%
• Other	1,913	-	**1,913**	1%	1,571	-	1,571	1%
Sub-total Equity	76,480	-	**76,480**	58%	71,158	-	71,158	56%
Debt Securities								
• Corporate	647	-	**647**	0.5%	690	-	690	0%
• UK Government	16,192	-	**16,192**	12%	17,454	-	17,454	14%
• Other	3,793	-	**3,793**	3%	3,317	-	3,317	3%
Sub-total Debt	20,632	-	**20,632**	15.5%	21,461	-	21,461	17%
Property								
• UK Property	3,860	2,268	**6,128**	5%	3,927	2,078	6,005	5%
Private Equity								
• All	640	365	**1,005**	1%	677	371	1,048	1%
Investment Funds & Unit Trusts								
• Equities	14,202	266	**14,468**	11%	13,972	249	14,221	11%
• Bonds	-	3,851	**3,851**	3%	-	3,495	3,495	3%
• Infrastructure	-	573	**573**	0.5%	-	565	565	0%
Sub-total Investment Funds & Unit Trusts	14,202	4,690	**18,892**	14.5%	13,972	4,309	18,281	14%
Total Assets	**123,049**	**7,323**	**130,372**	100%	119,485	6,758	126,243	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31st March 2013.

The significant assumptions used by the actuary are:

	2013/14	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	**22.0**	22.2
• Women	**24.2**	24.8
Longevity at 65 for future pensioners		
• Men	**24.1**	24.0
• Women	**26.6**	26.8
Rate of inflation	**2.8%**	2.4%
Rate of increase in salaries	**3.6%**	4.15%
Rate of increase in pensions	**2.8%**	2.4%
Rate for discounting scheme liabilities	**4.3%**	4.2%
Take up of option to convert annual pension into retirement lump sum – pre April 2008 service	**50%**	50%
Take up of option to convert annual pension into retirement lump sum – post April 2008 service	**75%**	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumption used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	17,665
1 year increase in member life expectancy	3%	5,575
0.5% increase in Salary Increase Rate	3%	5,203
0.5% increase in Pension Increase Rate	7%	12,282

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary

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to achieve a funding level of 100% over the next 19 years. Funding levels are reviewed as part of the triennial valuation process. The next triennial valuation is due to be completed on 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2014/15 is £3.835m.

The weighted average duration of the defined benefit obligation for scheme members is 22.7 years for active and deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 13/14 is 17.4 years.

With the exception of the tables detailing transactions in the Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement, the pension fund details in note 15 do not include Chesterfield Borough Council's share of the Crematorium pension fund which has its own separate fund. These are reported separately in the accounts of the Chesterfield & District Joint Crematorium Committee.

16. MEMBERS' ALLOWANCES

The allowances and expenses paid to Members were as follows:

	2013/14 £000	2012/13 £000
Special Responsibility & Other Allowances	**131**	153
Basic Responsibility Allowances	**211**	207
Members expenses	**8**	8
TOTAL	**350**	368

A schedule of the amounts paid to individual Members is published each year in the Council's newspaper. The schedule can also be viewed on the Council's web-site (www.chesterfield.gov.uk)

17. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14.

	2013/14 £000	2012/13 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	**4,430**	129
Transition Grant	**-**	823
Council Tax Freeze Grant	**-**	115
New Homes Bonus Grant	**376**	209
EDF Energy	**-**	2,301
Homes & Communities Agency	**2,300**	-
Heritage Lottery Fund	**342**	619
Dept Communities & Local Government: -		
• Small Business Rate Relief	**503**	-
• Other	**23**	17
Big Lottery Fund	**230**	-
ERDF	**1,396**	268
Arts Council	**33**	-
Other	**120**	3
TOTAL	**9,753**	4,484

Credited to Services:		
Capital		
Dept Communities & Local Government - Housing	**447**	552
Dept of Energy & Climate Change	**127**	77
Environment Agency	**43**	-
Other	**3**	-
Revenue		
Dept for Work & Pensions – Housing Benefits	**894**	935
Dept Communities & Local Government - Homelessness	**-**	85
Dept Communities & Local Government - Other	**314**	451
Arts Council	**10**	90
Lottery Fund	**172**	-
Other Government Grants	**33**	28
Derbyshire County Council:		
- Supporting people	**508**	443
- Highways agency	**254**	254
- Other	**152**	206
Other Local Authorities	**21**	94
Primary Care Trust	**16**	16
S106 Contributions	**100**	48
TOTAL	**3,094**	3,279

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 will/may require the monies to be returned. The balances at year end are as follows:

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	2013/14 £000	2012/13 £000
Capital Grants Receipts in Advance		
Environment Agency	**316**	-
Derbyshire Fire Authority	**-**	20
Derbyshire County Council	**4**	4
S106 Contributions	**10**	11
TOTAL	**330**	35

18. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by KPMG who are our appointed auditor.

	2013/14 £'000	2012/13 £'000
Audit of Accounts	**69**	69
Certification of Grant Claims	**4**	11
Total	**73**	80

19. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

Movements in 2013/14	**Council Dwellings £000**	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Infra-structure Assets £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**TOTAL £000**
Gross Book Value:								
Brought forward 1 April	**252,365**	**61,962**	**3,026**	**5,835**	**4,072**	**1,228**	**1,173**	**329,661**
Additions	12,283	153	175				1,750	**14,361**
Revals - Reval'n Res	315	417				21		**753**
Revals - surplus/deficit on provision of services	4,536	(659)						**3,877**
Derecog'n - disposals	(1,660)		(119)					**(1,779)**
Derecog'n - other	(1,922)	(945)	(634)					**(3,501)**
Reclassified to/from Held For Sale		(158)						**(158)**
Other movements	(2)	1,327					(1,327)	**(2)**
GBV at 31 March 14	**265,915**	**62,097**	**2,448**	**5,835**	**4,072**	**1,249**	**1,596**	**343,212**
Accumulated Depreciation & Impairment:								
Brought forward 1 April	**-**	**(3,585)**	**(2,448)**	**(2,203)**	**-**	**(2)**	**-**	**(8,238)**
Additions - depreciation	(6,710)	(1,634)	(195)	(232)		(1)		**(8,772)**
Additions - impairment	(202)							**(202)**
Revals - Reval'n Res		696						**696**
Revals - surplus/deficit on provision of services	6,547							**6,547**
Derecog'n - disposals	250		114					**364**
Derecog'n - other	113	778	634					**1,525**
Reclassified to/from Held For Sale		9						**9**
Other movements	2							**2**
Depreciation & Impairment at 31 March 14	**-**	**(3,736)**	**(1,895)**	**(2,435)**	**-**	**(3)**	**-**	**(8,069)**
Net Book Value B/fwd	**252,365**	**58,377**	**578**	**3,632**	**4,072**	**1,226**	**1,173**	**321,423**
Net Book Value at 31 March 14	**265,915**	**58,361**	**553**	**3,400**	**4,072**	**1,246**	**1,596**	**335,143**

Movements in 2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construc tion £000	TOTAL £000
Gross Book Value:								
Brought forward 1 April	**255,563**	**60,822**	**2,947**	**5,835**	**4,072**	**1,885**	**446**	**331,570**
Adj re Crematorium minority interests		41	1				22	**64**
Additions	15,949	231	117				1,444	**17,741**
Revals - Reval'n Res	(59)	927						**868**
Revals - surplus/deficit on provision of services	(8,442)	(325)						**(8,767)**
Derecog'n - disposals	(1,109)		(39)			(657)		**(1,805)**
Derecog'n - other	(2,411)	(177)						**(2,588)**
Reclassified to/from Held For Sale	(54)							**(54)**
Other movements	(7,072)	443					(739)	**(7,368)**
GBV at 31 March 13	**252,365**	**61,962**	**3,026**	**5,835**	**4,072**	**1,228**	**1,173**	**329,661**
Accumulated Depreciation & Impairment:								
Brought forward 1 April	**-**	**(2,824)**	**(2,235)**	**(1,972)**	**-**	**(1)**	**-**	**(7,032)**
Adj re Crematorium minority interests		(4)	(1)					**(5)**
Additions - depreciation	(6,774)	(1,564)	(248)	(231)		(1)		**(8,818)**
Additions - impairment	(418)							**(418)**
Revals - Reval'n Res		696						**696**
Revals - surplus/deficit on provision of services		39						**39**
Derecog'n - disposals			36					**36**
Derecog'n - other		52						**52**
Other movements	7,192	20						**7,212**
Depreciation & Impairment at 31 March 13	**-**	**(3,585)**	**(2,448)**	**(2,203)**	**-**	**(2)**	**-**	**(8,238)**
Net Book Value B/fwd	**255,563**	**57,998**	**712**	**3,863**	**4,072**	**1,884**	**446**	**324,538**
Net Book Value at 31 March 13	**252,365**	**58,377**	**578**	**3,632**	**4,072**	**1,226**	**1,173**	**321,423**

<u>Depreciation</u>

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

Council Dwellings:	35 – 80 years
Other Land & Buildings:	20 – 60 years
Vehicles, Plant, Furniture & Equipment:	10% to 28.5% of carrying amount
Infrastructure	20 – 40 years

20. HERITAGE ASSETS

The Heritage Assets owned by the Council are largely peripheral to its main objectives, and are held entirely with the objective of preserving them for future generations because of their cultural, environmental or historical association with the borough.

Reconciliation of the carrying value of Heritage Assets held by the Authority:

Asset Class	Balance B/F at 01.04.13 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31.03.14 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	320						320
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	155						155
Mayoral Regalia	132						132
Assets Carried at Valuation	**1,822**						**1,822**
Barrow Hill Railway Heritage Centre	344						344
War Memorials etc.	38						38
Percent for Art Sculptures	-						-
Museum Collection	-						-
Assets Carried at Cost	**382**						**382**
TOTAL HERITAGE ASSETS	**2,204**						**2,204**

Historic Sites & Buildings

These assets are measured at valuation using conventional valuation approaches. They were valued as at April 2010 by Kier who are the Authority's Asset Management partner, in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institute of Chartered Surveyors. The exception to this is Barrow Hill Railway Heritage Centre which is measured at historical cost. They will be valued every five years as part of the Authority's rolling programme.

Rosewall Sculpture

The sculpture was acquired during 2008/09 and was valued immediately prior to purchase by Hazlett, Holland-Hibbert, a firm of specialist dealers in modern art at market value. Due to the cost involved, further appraisals will be infrequent.

Mayoral Regalia

This was valued in 2005 by the jewellers, Stuart Bradley Ltd and represents the cost of replacing the service potential of the asset. Due to the costs involved, further appraisals will be infrequent. Because of the length of time that has elapsed since the last valuation, the figure has been updated as at April 2010 using RPI as a reference index. No material additions or disposals have occurred since the valuation was prepared.

Civic Plate, Paintings & Porcelain

Both the Civic Plate and Civic Paintings were valued in 2005 by Stuart Bradley Ltd and Bamford's respectively. Due to the costs involved, further appraisals will be infrequent. Because of the length of time that has elapsed since the last valuation, the figure has been updated as at April 2010 using RPI as a reference index. No material additions or disposals have occurred since the valuation was prepared. The Civic Porcelain was valued by the Authority's own staff in March 2010.

Museum Collection

Those elements of the museum collection which have a readily ascertainable market value have been included in the Balance Sheet. The valuations were carried out in 1991 by Phillips Midlands and in 1993 by Henry Spencer & Sons. The value is based on formal valuation evidence, restated at April 2010 prices, using RPI as a reference index. No material additions or disposals have occurred since the valuation was prepared.

Assets not included in the Balance Sheet

War Memorials and Other Monuments – The Council has 17 war memorials together with various other monuments, including the Peace Fountain in Eastwood Park and the 'Old Town Pump' in the centre of Chesterfield market place. Only 4 of the war memorials and the Peace Fountain are included on the Balance Sheet, the former at a notional cost of £1 each. Reliable information on cost is not available. No further acquisitions or disposals of assets in this class of heritage assets is anticipated. These assets are not insured and it is considered impractical to obtain valuation information due to the lack of comparable transactions and the relative insignificance of the assets in purely financial terms.

Percent for Art – The Council supports the promotion of public art as good planning practice which brings cultural, environmental and economic benefit to local communities. Current planning policy requires developers of schemes costing more than £1m to include a work of art to the value of 1% of the total project cost on their development. The Council keeps a register of sculptures owned and maintained by it in the Forward Planning Section. The current register lists 22 sculptures since the scheme began in 1993, with 5 sculptures added since 1st April 2006. The Council manages a separate website www.chesterfieldarttrail.co.uk which gives details of where the existing artworks can be found.

It is considered impractical to obtain reliable information on cost for most of the assets in this category as some of the artworks were paid for by third parties and for those sponsored by the Authority, the difficulty of separating costs relating to artwork from other capital costs. These assets are not insured and it is considered impractical to obtain valuation information due to the lack of comparable transactions and the diversity of the assets themselves.

Museum Collection – The majority of the 30,000 objects in the museum collection are made up of objects of social and industrial history. A high proportion of the collection is made up of items of minimal commercial value. A part of the collection is exhibited in the museum which is open four days a week and admission is free. The rest is held in storage. The collection can be divided into five broad categories:

- Social and historical objects
- Fine arts (paintings and drawings)
- Decorative art (pottery and glass)
- Archaeological finds
- Material available for loans to schools

Except for recent acquisitions, reliable information on cost is not available. In general, conventional valuation approaches would not be suitable owing to the sheer number and diversity of items, coupled with the unique and irreplaceable nature of many of the objects concerned. The collection is insured for £3.1m but this is regarded as a nominal and fairly arbitrary figure and therefore only those existing assets with a readily ascertainable market value have been recognised on the balance sheet.

The acquisition and disposal policy is available from the Museum Curator and is reviewed every 5 years. The next review will take place in 2014.

Assets included in the Balance Sheet

Historic Buildings
There are three assets included in this classification. These are the Barrow Hill Railway Heritage Centre which hosts Britain's last working roundhouse, the Revolution House which is an old stone cottage used as a museum, originally an alehouse used to plot the Revolution of 1688 and the Queens Park dovecote which is located in the Victorian park in the centre of Chesterfield. No further acquisitions or disposals are expected in this classification of heritage assets. All of these assets can be visited by the public and further information is available on the Council's website.

War Memorials/Monuments

Only 4 of the 17 war memorials in the Borough and the Peace Fountain in Hasland Park are included in the balance sheet, the former at a notional cost of £1 each. No further acquisitions or disposals are anticipated for this classification of heritage asset. All of the assets are accessible to the public.

Rosewall Sculpture

This was originally commissioned from Barbara Hepworth by the Post Office to stand outside their administrative offices when they relocated to Chesterfield in the 1960's. In 2008, the Post Office put the sculpture up for sale and it was purchased by the Council as it was considered to be an intrinsic element of Chesterfield and they did not wish to see the sculpture leave the area. It is located adjacent to the public footbridge from the town centre into Queens Park in the centre of Chesterfield. There are no plans to dispose of this asset.

Mayoral Regalia/Civic Plate, Paintings & Porcelain

These are kept in the Mayor's Parlour in the Town Hall. The parlour is accessible to the public on several occasions each year and to school parties by special arrangement. No further acquisitions or disposals are planned for this classification of heritage asset, although items are donated on an ad-hoc basis.

Museum Collection

A part of the collection is exhibited in the museum which is open four days a week and admission is free. The element of the collection included in the balance sheet consists mainly of the fine art collection.

Five Year Summary of Transactions

	2009/10* £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Assets Carried at Valuation					
Cost of acquisitions		-	-	-	-
Fair value of donations		-	-	-	-
Disposals – carrying amount		-	-	-	-
Disposals – sale proceeds		-	-	-	-
Impairment losses		-	-	-	-
Assets Carried at Cost					
Cost of acquisitions		-	-	-	-
Fair value of donations		-	-	-	-
Disposals – carrying amount		-	-	-	-
Disposals – sale proceeds		-	-	-	-
Impairment losses		-	-	-	-

* Figures for periods prior to 1st April 2010 are not provided as it is not practicable to do so. There were no transactions in respect of assets not reported on the balance sheet.

21. MOVEMENTS IN INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. They are recognised in the Balance Sheet and the table below shows the movement during the year. The cost is being written off over the five year life of the licences on a straight line basis.

Purchased Software Licences	2013/14 £000	2012/13 £000
Net Carrying Amount:		
Brought forward 1 April	**132**	62
Additions	**114**	101
Disposals	**-**	-
Amortisation for the period	**(10)**	(31)
Carried forward 31 March	**236**	132

For 2013/14, total amortisation charges of £10k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

Analysis of Amortisation Charges	2013/14 £000
Corporate and Democratic	**10**
Total	**10**

22. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2015/16 amounting to approximately £62m of which approximately £6.2m was contractually committed at 31st March 2014.

	Approved Expenditure £000	Committed £000
Council Housing	45,059	4,256
Renovation Grants	2,051	620
Leisure	9,387	509
Planning & Property	1,408	309
Other Schemes	4,050	587
	61,955	6,281

23. CAPITAL EXPENDITURE & FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement (CFR) 1st April	**151,037**	150,528
Capital Investment		
Property, Plant and Equipment	**14,333**	17,666
Investment Properties	**3,925**	1,268
Intangible Assets	**114**	101
Long Term Debtors	**-**	-
Revenue Expenditure Funded from Capital under Statute	**824**	916
Financed by		
Capital Receipts	**(1,775)**	(1,247)
Capital Grants & Contributions	**(4,865)**	(4,047)
Revenue Balances & Direct Revenue Financing	**(9,936)**	(13,635)
Minimum / Voluntary Revenue Provision	**(2,458)**	(345)
Use of Capital Receipts to Repay Debt	**-**	(168)
Closing Capital Financing Requirement 31st March	**151,199**	151,037
Increase/(Decrease) in CFR	**162**	509
Analysis of Increase/(Decrease) in CFR		
Supported by Government Financial Assistance	**-**	-
Unsupported by Government Financial Assistance	**162**	509
Increase/(Decrease) in CFR	**162**	509

24. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2012/13 £000
Rental income from investment property	**4,172**	4,210
Direct operating expenses arising from investment property	**1,343**	1,430
Net gain/(loss)	**2,829**	2,780

Generally, there are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the revenue income and proceeds of disposal. The exceptions to this are as follows:

- Tapton House School was gifted to the authority and must be used for the benefit of the inhabitants of Chesterfield.

- Commercial and industrial units at Meadows Drive, Venture House and Prospect House were built by the authority but the construction was part funded by external grant funding. Net revenue income must be returned to these funding partners on an annual basis pro rata to the share of capital funding provided by them for the initial creation of the asset. Any proceeds on disposal of these assets would be returned on a similar basis.

The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement except for the Pavements Centre, Dunston Farm and Tapton House where there is an obligation to maintain and repair.

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

	2013/14 £000	2012/13 £000
Balance at start of year	**44,370**	44,411
Adj – Crematorium minority interests	**-**	8
Additions:		
Subsequent expenditure	**3,925**	1,267
Disposals	**(1,345)**	(1,457)
Net gains/losses from fair value adjustments	**12,386**	(14)
Transfers:		
To/from property, plant & equipment	**-**	155
Other changes	**-**	-
Balance at end of year	**59,336**	44,370

25. FIXED ASSET VALUATION

The authority's freehold and leasehold properties have been valued by Kier, the Council's Asset Management partner, in accordance with the Statements of Asset

Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. All assets are re-valued on a rolling programme basis over five years.

Plant and machinery includes such items that are not a fixture or fitting to a building.

Properties regarded by the authority as operational were valued on the basis of existing use value or, where this could not be assessed because there was no market based evidence for the subject asset, the depreciated replacement cost.

Infrastructure, community assets and assets under construction are included in the balance sheet at historical cost, net of depreciation.

Except for those dwellings which the Authority leases out to other providers of social housing and a small number of impaired properties, the stock of council dwellings was re-valued as at 31st March 2014 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see note 4 on page 94).

The statement below shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by Kier. Where the valuations have not been updated in recent years the authority has assessed that there has been no material change in value. The basis of the valuations is set out in Note 1.13 of the Summary of Significant Accounting Policies.

	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Total**
Valued at historical cost		263	553		**816**
<u>Valued at current value:</u>					
2013/14	264,619	6,213		1,108	**271,940**
2012/13	63	10,821			**10,884**
2011/12	1,233	21,026		138	**22,397**
2010/11		17,551			**17,551**
2009/10		2,487			**2,487**
Total Net Book Value	**265,915**	**58,361**	**553**	**1,246**	**326,075**

26. DEPRECIATION

The treatment of depreciation is described in Note 1.14 (page 29) of the Summary of Significant Accounting Policies.

27. IMPAIRMENT LOSSES

During 2013/14, the Council recognised an impairment loss of £202,396 in relation to 10 council dwellings on the Middlecroft estate. These properties are subject to subsidence and are not capable of cost effective or satisfactory repair and restoration.

The recoverable amount of these properties has been reduced to their fair value and was determined by site value. The impairment loss has been charged to the Local Authority Housing (HRA) line in the Comprehensive Income & Expenditure Statement and is included in the Council Housing Portfolio in note 54 on Resource Allocation Decisions.

28. LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year.

	31st March	
	2013/14 £000	**2012/13 £000**
Housing Associations	**76**	77
Sale of Council Houses	**-**	1
Chesterfield Football Club	**886**	914
Operating Lease Incentives	**75**	89
Other	**245**	220
Total	**1,282**	1,301

29. LEASES

Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

The Authority has a number of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31st March	
	2014 £000	**2013 £000**
Not later than 1 year	**625**	613
Later than 1 year and not later than 5 years	**1,276**	1,600
Later than 5 years	**51**	190
Total	**1,952**	2,403

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2014 was £6k (£36k at 31st March, 2013).

The amounts recognised as an expense in Surplus or Deficit on Provision of Services are detailed below.

	Year Ended 31st March	
	2014 £000	**2013 £000**
Minimum lease payments	**669**	648
Contingent rents	**10**	3
Total	**679**	651

Authority as Lessor

Finance Leases

The Authority has no finance leases.

Operating Leases

The Authority leases out industrial and commercial premises for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31st March	
	2014 £000	**2013 £000**
Not later than 1 year	**1,883**	2,180
Later than 1 year and not later than 5 years	**3,926**	4,134
Later than 5 years	**3,757**	3,902
Total	**9,566**	10,216

The 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. In 2013/14, £378,496 contingent rents were receivable by the Authority (2012/13 £373,062).

30. INVENTORIES

	31st March	
	2014 £000	**2013 £000**
Direct Services	**245**	283
Crematorium	**1**	1
Other	**71**	74
Total	**317**	358

31. DEBTORS

	31st March	
	2014 £000	**2013 £000**
Sundry Debtors - Capital	**-**	4
Sundry Debtors - Revenue	**3,204**	2,978
Central Government Bodies	**1,854**	1,136
Other Local Authorities	**1,209**	1,432
Housing Revenue Account	**928**	1,233
Crematorium	**51**	96
Business Rate Payers	**266**	-
Council Tax Payers	**206**	196
Total	**7,718**	7,075

32. CASH & CASH EQUIVALENTS

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

	31st March	
	2014 £000	2013 £000
Cash held	**17**	17
Bank current accounts	**(60)**	(294)
Short term deposits with banks	**460**	794
Total	**417**	517

33. ASSETS HELD FOR SALE

	Current		Non Current	
	2013/14 £000	2012/13 £000	**2013/14 £000**	2012/13 £000
Investment Property Held for Sale				
Balance brought forward at 1 April	**1,632**	485		
Assets newly classified as held for sale	**668**	1,458		
Assets declassified as held for sale	**-**	-		
Assets sold	**(254)**	(311)		
Balance carried forward at 31 March	**2,046**	1,632	**-**	-
Other Assets Held for Sale				
Balance brought forward at 1 April	**54**	-		
Assets newly classified as held for sale	**149**	54		
Assets declassified as held for sale	**-**	-		
Assets sold	**(54)**	-		
Balance carried forward at 31 March	**149**	54	**-**	-
Net Sale Proceeds				
Investment Property	**316**	418	**-**	-
Other Assets	**176**	-	**-**	-

34. CREDITORS

	31st March	
	2014 £000	2013 £000
Sundry creditors – Capital	**734**	460
Sundry creditors - Revenue	**5,889**	4,519
Central Government Bodies	**1,212**	1,704
Other Local Authorities	**1,005**	733
Housing Revenue Account	**581**	1,093
Crematorium	**109**	80
Advance Receipts: Business rates	**424**	-
Advance Receipts: Council tax	**80**	85
Total	**10,034**	8,674

35. PROVISIONS

The Council has established the following provisions under the appropriate legal power to cover potential liabilities:-

	Balance b/fwd 01/04/13	Movements in year		Balance c/fwd 31/03/14
		Additions	Applied	
Short Term Provisions				
Non Domestic Rate Appeals	-	686	-	**686**
D.L.O. Provision	295	294	(288)	**301**
Redundancy Provision	190	2	(190)	**2**
Total – Short Term Provisions	485	982	(478)	**989**
Long Term Provisions				
Transport Employee Pensions	965	23	(38)	**950**
Insurance Provision	1,506	229	(1,238)	**497**
MMI Provision	300	-	(289)	**11**
Other	-	4	-	**4**
Total – Long Term Provisions	2,771	256	(1,565)	**1,462**

D.L.O. Provision
Provision for potential future remedial works and losses.

Redundancy Provision
The provision is to meet those redundancies to which the Council is committed but which had not taken place at the end of the financial year.

Transport Employee Pensions
The provision is being built up in order to meet the Council's liability in respect of pensions of former Transport Undertaking employees who were transferred to the private sector on privatisation. An independent actuarial review of this fund takes place every three years. The next review will take place during 2014/15.

Insurance Provision
All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2013 which suggested that the fund balance should be reapportioned between provisions and reserves. An amount of £393k has been transferred from the provision in 2013/14.

MMI Provision
The Council was insured by MMI until 1993 when the Company went into administration. In March 2012 the Supreme Court found against MMI in the Employers' Liability Policy Trigger case. The ruling means that MMI are liable to pay compensation for mesothelioma cases where they were the insurer at the date of exposure to asbestos, rather than the insurer at the time the disease develops. The judgement will have significant implications for the Company and the Scheme Creditors, of which the Council is one.

Because a solvent run-off is not possible, the Scheme of Arrangement has been triggered with claw back of some element of the claims paid since 1993 from the Council.

As at the 31st March 2014 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 15% of these claims and an appropriate provision has therefore been included in the accounts.

Non Domestic Rate Appeals

The introduction of the business rates retention scheme from 1st April 2013, means that a proportion of successful rating appeals must be met by the local authority. Previously they were met by central government. A provision has been established to recognise the liability.

36. FINANCIAL INSTRUMENTS BALANCES

The borrowings, investments, cash and cash equivalents disclosed in the balance sheet are made up of the following categories of financial instruments:

	31st March			
	Long term		Current	
	2014 £000	**2013 £000**	**2014 £000**	**2013 £000**
Loans & receivables	**2,270**	1,021	**1,518**	2,855
Available for sale	**-**	-	**-**	-
Financial assets at fair value through profit or loss	**3,160**	-	**18,545**	21,701
Financial assets carried at contract cost	**-**	-	**4,700**	4,624
Financial Assets	**5,430**	1,021	**24,763**	29,180
Financial liabilities at amortised cost	**138,349**	139,907	**6,990**	11,046
Financial liabilities at fair value through profit or loss	**-**	-	**-**	-
Financial liabilities carried at contract cost	**-**	-	**8,272**	6,885
Financial Liabilities	**138,349**	139,907	**15,262**	17,931

37. FINANCIAL INSTRUMENTS INCOME, EXPENSE, GAINS/LOSSES

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

2013/14	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000	Loans & Receivables £000	Available-for-sale assets £000	Fair value through Profit & Loss £000	Total £000
Interest expense	5,756	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,756	-	-	-	**5,756**
Interest income	-	(107)	-	-	
Dividend income	-	-	(1)	-	
Increase in fair value	-	-	-	(49)	
Gains on derecognition	-	-	-	-	
Total income in Surplus/Deficit on Provision of Services	-	(107)	(1)	(49)	**(157)**
Gains on revaluation			-		
Losses on revaluation			-		
Amounts recycled to Surplus/Deficit on Provision of Services after impairment			-		
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure			-		
Net (gain)/loss for year	**5,756**	**(107)**	**(1)**	**(49)**	

2012/13	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000	Loans & Receivables £000	Available-for-sale assets £000	Fair value through Profit & Loss £000	Total £000
Interest expense	5,883	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,883	-	-	-	**5,883**
Interest income	-	(138)	-	-	
Dividend income	-	-	(3)	-	
Increase in fair value	-	-	-	(216)	
Gains on derecognition	-	-	-	-	
Total income in Surplus/Deficit on Provision of Services	-	(138)	(3)	(216)	**(357)**
Gains on revaluation			-		
Losses on revaluation			-		
Amounts recycled to Surplus/Deficit on Provision of Services after impairment			-		
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure			-		
Net (gain)/loss for year	**5,883**	**(138)**	**(3)**	**(216)**	

38. FAIR VALUE OF ASSETS & LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables 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 assumptions:

- choice of an appropriate discount rate (based on the type of loan and its remaining life) from the PWLB premature repayment rates in force on the 31st March, 2014
- no impairment is recognised
- for both variable rate instruments and those expected to mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount. The carrying amount is therefore a reasonable approximation of fair value and this category of financial instrument is therefore excluded from the figures below.

	31st March 2014		31st March 2013	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial Liabilities	**145,339**	**154,542**	150,953	168,083

The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed early repayment of loans.

	31st March 2014		31st March 2013	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Loans & Receivables	**3,788**	**3,831**	3,876	3,934

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This guarantee to receive interest above current market rate increases the amount that the authority would receive if it agreed to early repayment of the loans.

39. <u>NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS</u>

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority may not have funds available to meet its commitments to make payments

- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by officers using policies approved by the Council in the treasury management strategy which is reviewed annually. This provides written principles for overall risk management and for specific subjects such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits placed with financial institutions which includes fixed interest securities traded in an active market. Security of capital is considered to be of paramount importance and so, to minimise credit risk, lending is limited to counterparties on an approved list. This list is compiled using advice from our independent treasury advisers who have fully researched the background and credit worthiness of counterparties.

For lending decisions taken in-house, the authority operates individual counterparty exposure limits by value (£5m with any one institution and a group limit of £7.5m for a number of institutions under one ownership) and by duration (maximum of 12 months). The authority's core investments are managed externally, as a self-contained portfolio, in accordance with a formal agreement that sets out detailed parameters relating to credit worthiness and exposure limits.

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

The table below summarises the authority's potential maximum exposure to credit risk at 31st March based on experience of default and uncollectability over the last five financial years.

	Amount at 31st March 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2014 %	**Estimated maximum exposure to default & uncollectability £000**	Estimated maximum exposure at 31st March 2013 £000
Deposits with banks & financial institutions	21,705	-	-	**-**	21,702
Bonds	-	-	-	**-**	
Customers	1,749	54.98	60.18	**1,052**	2,251
Total	23,454	-	-	**1,052**	23,953

The authority does not generally allow credit for customers, such that £1.74m (£2.149m in 2012/13) of the £1.749m (£2.251m in 2012/13) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2014 £000	31st March 2013 £000
Less than three months	**202**	137
Three to six months	**185**	237
Six months to one year	**235**	504
More than one year	**1,118**	1,271
Total	**1,740**	2,149

Liquidity Risk

The authority has ready access to borrowings from the Public Works Loan Board (PWLB) so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. Our Treasury Management strategy specifies a maturity profile whose objective is to ensure a spread of repayments and avoid a large repayment in any one year.

The maturity analysis of financial liabilities is as follows:

Maturing within	31st March 2014 £000	31st March 2013 £000
1 year	**6,930**	10,753
1 to 2 years	**2,936**	1,861
2 to 5 years	**6,077**	6,743
5 to 10 years	**11,817**	10,783
10 to 15 years	**13,424**	13,534
15 to 20 years	**18,895**	16,785
20 to 25 years	**24,600**	24,800
25 to 30 years	**21,400**	22,800
30 to 35 years	**17,000**	17,000
35 to 40 years	**12,600**	14,800
40 to 45 years	**6,000**	6,000
45 to 50 years	**3,600**	4,800
Total	**145,279**	150,659

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

Market Risk

Interest Rate Risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. For example, a rise in interest rates would have the following effects:

- Borrowings at variable rates – interest expense charged to Comprehensive Income & Expenditure Statement will rise

- Borrowings at fixed rates – fair value of liabilities borrowings will fall

- Investments at variable rates – interest income credited to Comprehensive Income & Expenditure Statement will rise
- Investments at fixed rates – fair value of assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income & Expenditure Statement and will have a direct effect on the general fund balance. Movements in the fair value of fixed rate investments, other than those carried at amortised cost, will be reflected in the Comprehensive Income & Expenditure Statement.

The authority has a number of strategies for managing interest rate risk. For 2013/14, the upper limit for exposure to variable rate debt was £75.125m (£75.425m in 2012/13).

Changes to interest rates are reviewed quarterly and used to update the annual budget setting information. This allows any adverse changes to be accommodated.

The authority had no significant exposures to variable rate borrowings or variable rate investments at 31st March, 2014. At the same date, the authority was exposed to £21.705m (£21.702m 2012/13) of fixed rate investments through its external fund managers. These investments are traded in an active market and carried at fair value, with any changes therein having a direct impact on the Comprehensive Income and Expenditure Statement. The fund manager's terms of reference are designed to reduce the volatility of overall investment returns over the course of an interest rate cycle through the use of appropriate asset allocation strategies (see also Price Risk).

Price Risk

The authority does not invest in equity shares but does have an investment portfolio managed by external fund managers. Their terms of reference are that the fund be managed primarily for security and liquidity, with return a secondary consideration. Therefore whilst the authority is not in a position to directly manage this risk, its exposure to price movements is limited by the terms of reference imposed on the fund manager.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currency and therefore has no exposure to losses arising from movements in exchange rates.

40. USABLE RESERVES

	31st March	
	2014 £000	**2013 £000**
Earmarked Reserves - Capital	**1,440**	1,131
Earmarked Reserves - Revenue	**8,494**	7,642
Total Earmarked Reserves (GF)	**9,934**	8,773
General Fund(GF) Working Balance	**1,750**	1,750
HRA Working Balance	**12,495**	8,276
Earmarked Reserves - HRA	**362**	183
Useable Capital Receipts Reserve	**429**	206
Capital Grants Unapplied	**1,241**	1,117
Total Usable Reserves	**26,211**	20,305

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 17. A detailed breakdown of the Councils earmarked reserves is provided in Note 8. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

Usable Capital Receipts Reserve	**2013/14 £000**	**2012/13 £000**
Brought forward 1 April	**206**	-
Additions	**2,759**	2,271
Pooling liability	**(760)**	(650)
Financing of capital expenditure	**(1,776)**	(1,247)
Voluntary repayment of debt	**-**	(168)
Carried forward 31 March	**429**	206

Capital Grants Unapplied	**2013/14 £000**	**2012/13 £000**
Brought forward 1 April	**1,117**	1,344
Additions	**677**	465
Transfers (to)/from revenue	**(53)**	-
Financing of capital expenditure	**(500)**	(692)
Carried forward 31 March	**1,241**	1,117

41. UNUSABLE RESERVES

	31st March	
	2014 £000	**2013 £000**
Revaluation Reserve	**13,651**	12,659
Capital Adjustment Account	**235,254**	207,136
Financial Instruments Adjustment Account	**(50)**	(45)
Pensions Reserve	**(55,791)**	(66,103)
Deferred Capital Receipts Reserve	**186**	190
Collection Fund Adjustment Account	**(397)**	(27)
Accumulated Absences Account	**(197)**	(179)
Total Unusable Reserves	**192,656**	153,631

42. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2013/14 £000	**2012/13 £000**
Balance brought forward 1st April	**12,659**	11,488
Adj – Crematorium minority interests	**-**	9
Revaluation gains	**1,467**	1,678
Revaluation and impairment losses	**(19)**	(114)
Amounts t/f to Cap Adj Account (Depreciation)	**(396)**	(386)
Amounts t/f to Cap Adj Account (Disposals)	**(60)**	(16)
Balance carried forward 31st March	**13,651**	12,659

43. 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 the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

This Account contains accumulated gains and losses on Investment properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

	2013/14 £000	2012/13 £000
Balance brought forward 1st April	**207,136**	210,728
Adj – Crematorium minority interests	**-**	57
Reversal of items recognised in the Comprehensive Income & Expenditure Statement		
Property, Plant & Equipment: depreciation charges	**(8,771)**	(8,817)
Property, Plant & Equipment: net revaluation gains/(losses)	**10,221**	(9,146)
Intangible Assets: amortisation charges	**(10)**	(31)
Revenue expenditure funded from capital under statute	**(824)**	(916)
Disposal/derecognition of non-current assets	**(4,378)**	(4,618)
Gain/loss in fair value of investment properties	**12,386**	(14)
Amounts transferred from the Revaluation Reserve		
Depreciation adjustment	**396**	386
Disposal/derecognition adjustment	**60**	16
Capital financing provisions		
Application of usable capital receipts	**1,775**	1,415
Application of Major Repairs Reserve	**9,082**	8,863
Application of revenue balances and direct revenue financing	**855**	4,771
Capital grants/contributions recognised in revenue during the period	**4,365**	3,354
Application of Capital Grants Unapplied	**500**	693
Minimum revenue provision	**2,458**	346
Donated Assets	**30**	75
Principal repayments - deferred debtors	**(27)**	(26)
Balance carried forward 31st March	**235,254**	207,136

44. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2014 £000	2013 £000
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	**5**	8
Net (premium)/discount incurred in the year and recognised in the Comprehensive Income & Expenditure Statement	**-**	-
Net (premium)/discount to be taken to the GF Balance	**5**	8
Balance of net (premium)/discount at 1 April	**(45)**	(37)
Amortised in year	**(5)**	(8)
Balance of net (premium)/discount at 31 March	**(50)**	(45)

45. 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 investment 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 pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2014 £000	2013 £000
Balance brought forward at 1st April	**(66,103)**	(53,107)
Adjustment – Crematorium minority interests	**-**	(13)
Actual gains or losses on pension assets and liabilities	**12,873**	(12,032)
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	**(6,683)**	(4,824)
Employers pension contributions	**4,122**	3,873
Balance at 31st March	**(55,791)**	(66,103)

46. DEFERRED CAPITAL RECEIPTS RESERVE

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

The balance relates to debt outstanding on assets transferred from North East Derbyshire District Council in 1974 and 1988.

	2014 £000	2013 £000
Balance brought forward at 1st April	**190**	192
Transfer to Capital Receipts Reserve on receipt of cash	**(4)**	(2)
Balance at 31st March	**186**	190

47. COLLECTION FUND ADJUSTMENT ACCOUNT

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

	2014 £000	2013 £000
Balance brought forward at 1st April	**(27)**	20
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	**(370)**	(47)
Balance at 31st March	**(397)**	(27)

48. ACCUMULATED ABSENCES ACCOUNT

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

	2014 £000	2013 £000
Balance brought forward at 1st April	**179**	243
Settlement or cancellation of accrual made at end of preceding year	**(179)**	(243)
Amounts accrued at end of current year	**197**	179
Balance at 31st March	**197**	179

49. CASHFLOW STATEMENT - ADJUST NET SURPLUS/DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH ADJUSTMENTS

	2013/14 £000	2012/13 (restated) £000
Depreciation	**1,652**	(17,545)
Impairment	**(202)**	(418)
Amortisation	**(10)**	(31)
Movement in Fair Value of Investments	**3**	159
(Increase)/decrease in Creditors	**(1,691)**	727
Increase/(decrease) in Debtors	**1,083**	935
Increase/(decrease) in Stock	**(41)**	(43)
Movement in Pension Liability	**(2,561)**	(1,632)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(4,318)**	(4,616)
Movement in Investment Property Value	**12,386**	-
Other non-cash items charged to net surplus/deficit on provision of services	**3,636**	(2,449)
Total	**9,937**	(24,913)

50. CASHFLOW STATEMENT - ADJUST FOR ITEMS IN NET SURPLUS/DEFICIT ON PROVISION OF SERVICES THAT ARE INVESTING & FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Proceeds from sale of PPE, investment properties & intangible assets	**2,756**	2,269
Capital grants	**5,041**	3,819
Total	**7,797**	6,088

51. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £000	2012/13 £000
Interest received	**(173)**	(379)
Interest paid	**5,760**	5,882

52. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of non-current assets	**18,099**	19,204
Purchase of short term and long term investments	**1,250**	2,000
Other payments for investing activities	**28**	19
Proceeds from sale of non-current assets	**(2,735)**	(2,254)
Proceeds from short term and long term investments	**(1,000)**	(3,500)
Other receipts from investing activities	**(5,393)**	(3,909)
Net cash flows from investing activities	**10,249**	11,560

53. CASH FLOW STATEMENT – FINANCING ACTIVITES

	2013/14 £000	2012/13 £000
Cash receipts of short and long term borrowing	**(5,310)**	(5,000)
Other receipts from financing activities	**-**	-
Repayments of short and long term borrowing	**7,885**	9,367
Other payments for financing activities	**208**	(1,207)
Net cash flows from financing activities	**2,783**	3,160

54. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These portfolio reports are prepared using a different structure to those used in the financial statements.

In particular, income and expenditure from investment properties are included within the portfolio totals, but are excluded from the Cost of General Fund Services line in the Comprehensive Income and Expenditure Statement (see Note 10 for details).

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

Portfolio Income & Expenditure 2013/14	Leader & Regeneration £000	Deputy Leader & Planning £000	Environment £000	Housing £000	Leisure, Culture & Tourism £000	Governance £000	Customers & Communities £000	Council Housing £000	Total £000
Fees, Charges & Other Service Income	281	4,885	3,923	25	4,492	254	406	37,007	51,273
Government Grants	-	43	10	629	45	-	37,389	-	38,116
Recharges & Other Income	284	2,223	1,807	70	559	4,310	2,680	2,024	13,957
Total Income	**565**	**7,151**	**5,740**	**724**	**5,096**	**4,564**	**40,475**	**39,031**	**103,346**
Employee expenses	307	1,418	1,812	207	3,046	2,231	443	3,802	13,266
Other service expenses	341	3,283	6,689	728	4,135	2,896	39,528	12,138	69,738
Support service recharges	300	1,114	1,959	63	739	2,469	2,024	2,515	11,183
Capital charges	45	(12,088)	1,218	787	4,057	124	70	(7,318)	(13,105)
Provision for impairment	-	30	4	-	(1)	-	(53)	89	69
Transfer to/from reserves	-	(7)	3	(35)	(51)	-	(27)	-	(117)
Total Expenditure	**993**	**(6,250)**	**11,685**	**1,750**	**11,925**	**7,720**	**41,985**	**11,226**	**81,034**
NET EXPENDITURE	**428**	**(13,401)**	**5,945**	**1,026**	**6,829**	**3,156**	**1,510**	**(27,805)**	**(22,312)**

Portfolio Income & Expenditure 2012/13	Leader & Regeneration £000	Deputy Leader & Planning £000	Environment £000	Housing £000	Leisure, Culture & Tourism £000	Governance £000	Customers & Communities £000	Council Housing £000	Total £000
Fees, Charges & Other Service Income	388	4,800	3,926	56	4,435	265	-	35,679	49,549
Government Grants	-	3	10	646	90	-	46,035	-	46,784
Recharges & Other Income	160	2,188	1,766	164	716	4,476	2,962	1,700	14,132
Total Income	**548**	**6,991**	**5,702**	**866**	**5,241**	**4,741**	**48,997**	**37,379**	**110,465**
Employee expenses	318	1,344	1,853	220	3,317	2,503	413	3,497	13,465
Other service expenses	339	3,174	6,622	597	4,036	2,939	47,981	11,293	76,981
Support service recharges	269	1,125	1,982	89	912	2,383	2,091	2,396	11,247
Capital charges	45	182	598	911	1,153	164	(33)	15,801	18,821
Provision for impairment	6	51	6	-	4	1	81	253	402
Transfer to/from reserves	-	5	(5)	41	51	-	27	-	119
Total Expenditure	**977**	**5,881**	**11,056**	**1,858**	**9,473**	**7,990**	**50,560**	**33,240**	**121,035**
NET EXPENDITURE	**429**	**(1,110)**	**5,354**	**992**	**4,232**	**3,249**	**1,563**	**(4,139)**	**10,570**

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

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

	2013/14 £000	2012/13 £000
Net expenditure in Portfolio analysis	**(22,312)**	10,570
Add: Amounts in Comprehensive Income & Expenditure Statement not reported in the analysis	**(2,424)**	(704)
Less: Amounts included in analysis not in Comprehensive Income & Expenditure Statement	**15,499**	2,769
Cost of Services in Comprehensive Income & Expenditure Statement	**(9,237)**	12,635

Reconciliation to Subjective Analysis

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

2013/14	Portfolio analysis £000	Amounts not in analysis but in Cost of Services £000	Amounts in analysis not in Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	51,273	614	(4,172)	47,715	4,172	51,887
Government Grants	38,116	449	(30)	38,535	9,404	47,939
Recharges & Other Income	13,957	277	84	14,318	1,095	15,413
Interest & Investment Income	-	-	-	-	173	173
Income from Business Rates	-	-	-	-	2,552	2,552
Income from Council Tax	-	-	-	-	4,300	4,300
Total Income	**103,346**	**1,340**	**(4,118)**	**100,568**	**21,696**	**122,264**
Employee expenses	13,266	(159)	190	13,297	55	13,352
Other service expenses	69,738	(1,022)	(940)	67,776	1,100	68,876
Support service recharges	11,183	18	(226)	10,975	226	11,201
Depreciation, amortisation and impairment	(13,036)	79	12,357	(600)	(12,356)	(12,956)
Transfers to/from reserves	(117)	-	-	(117)	-	(117)
Interest payments	-	-	-	-	8,530	8,530
Precepts	-	-	-	-	306	306
Payments to Housing Capital Receipts Pool	-	-	-	-	760	760
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	1,646	1,646
Total Expenditure	**81,034**	**(1,084)**	**11,381**	**91,331**	**267**	**91,598**
(Surplus)/Deficit on Provision of Services	**(22,312)**	**(2,424)**	**15,499**	**(9,237)**	**(21,429)**	**(30,666)**

2012/13	Portfolio analysis £000	Amounts not in analysis but in Cost of Services £000	Amounts in analysis not in Cost of Services £000	Cost of Services £000	Corporate Amounts (restated) £000	Total (restated) £000
Fees, Charges & Other Service Income	49,549	560	(4,209)	45,900	4,209	50,109
Government Grants	46,784	479	60	47,323	8,850	56,173
Recharges & Other Income	14,132	431	198	14,761	3,161	17,922
Interest & Investment Income	-	-	-	-	379	379
Income from Council Tax	-	-	-	-	4,969	4,969
Total Income	**110,465**	**1,470**	**(3,951)**	**107,984**	**21,568**	**129,552**
Employee expenses	13,465	(632)	72	12,905	71	12,976
Other service expenses	76,981	1,042	(980)	77,043	1,098	78,141
Support service recharges	11,247	25	(208)	11,064	209	11,273
Depreciation, amortisation and impairment	19,223	331	(66)	19,488	66	19,554
Transfers to/from reserves	119	-	-	119	-	119
Interest payments	-	-	-	-	8,463	8,463
Precepts	-	-	-	-	385	385
Payments to Housing Capital Receipts Pool	-	-	-	-	650	650
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	2,383	2,383
Total Expenditure	**121,035**	**766**	**(1,182)**	**120,619**	**13,325**	**133,944**
(Surplus)/Deficit on Provision of Services	**10,570**	**(704)**	**2,769**	**12,635**	**(8,243)**	**4,392**

55. RELATED PARTY TRANSACTIONS

The Code requires that material transactions with third parties that have the potential to control or influence the Council or to be controlled or influenced by the Council are disclosed in the accounts. For this Council, these parties are mainly Central Government, other Local Authorities, subsidiary and associated companies, joint ventures and joint venture partners, Members, Chief Officers, Senior Officers and the pension fund.

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

The UK Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 54 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2014 are shown in note 17.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2013/14 is shown in Note 16. In addition, the Council paid grants totalling £294,430 to voluntary organisations in which 15 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

Council Members and senior officers are required to make annual disclosures of the pecuniary and non-pecuniary interests to the Council's monitoring officer for inclusion in the Register of Members interests and the Declaration of Personal Interests (Officers). Members are also required to declare any interest on individual committee agenda items being discussed at meetings. Finally a separate declaration has been returned at year end by all members and senior officers. The returns confirm that there are no material interests in related parties beyond those in voluntary organisations declared above.

Subsidiary and Associated Companies
The authority had no interest in subsidiary or associated companies in the year.

Joint Ventures and Joint Venture Partners
The Council is a partner in the Sheffield City Region Local Enterprise Partnership which consists of 9 local authorities in an informal voluntary partnership to promote strategic economic development. This partnership will be formalised in 2014/15 when it becomes the Sheffield City Region combined authority from 1st April 2014.

The Council has a shared internal audit consortium and building control consortium with Bolsover and North East Derbyshire District Councils. Other joint arrangements may be explored with neighbouring authorities in the future.

Chesterfield Borough Council is a partner in Chesterfield Waterside Ltd, a public/private partnership created to secure the regeneration of a strategic area within the borough. It has three Board members and the Leader of the Council is our representative.

56. BOLSOVER, CHESTERFIELD & NORTH EAST DERBYSHIRE DISTRICT COUNCILS INTERNAL AUDIT CONSORTIUM

On 1st April 2007, Chesterfield, Bolsover and North East Derbyshire District Councils formally entered an agreement to operate an internal audit consortium.

During the year, the consortium retained a surplus of £115,096 (£50,966 in 2012/13).

The Council's proportion of the consortium's net surplus at the 31st March 2014 is £41,584 (£18,654 at 31st March 2013).

57. CHESTERFIELD & DISTRICT JOINT CREMATORIUM COMMITTEE

The Council operates a Crematorium jointly with Bolsover and North East Derbyshire District Councils.

The accounts include our share of all transactions, assets, liabilities, income and expenditure.

The proportion of transactions is based on the number of cremations of residents within the three districts over a rolling 3 year period.

The following percentages have been applied:

Year	Chesterfield Borough Council	North East Derbyshire District Council	Bolsover District Council
2013/14	**55%**	31%	14%
2012/13	**55%**	31%	14%

The figures below show Chesterfield Borough Council's share of the Chesterfield & District Joint Crematorium's income, expenditure, assets and liabilities included in the Comprehensive Income & Expenditure Statement and Balance Sheet based on the split outlined above.

Income & Expenditure Account

2012/13		2013/14		
Net Expenditure £000		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
(333)	Environmental	530	(663)	**(133)**
(333)	**Net Cost of Service**	**530**	**(663)**	**(133)**

Balance Sheet

2012/13 £000		2013/14 £000
	Long Term Assets	
1,322	Other Land & Buildings	**1,268**
3	Vehicles, Plant, Furniture & Equipment	**2**
-	Assets under Construction	**21**
138	Investment Properties	**138**
	Current Assets	
1	Stock	**1**
96	Debtors	**51**
370	Cash	**702**
	Current Liabilities	
(80)	Creditors	**(109)**
	Long Term Liabilities	
683	Pension Scheme Assets	**680**
(972)	Pension Scheme Liabilities	**(1,005)**
1,561	**Net Assets**	**1,749**
209	Revaluation Reserve	**201**
1,237	Capital Adjustment Account	**1,211**
(289)	Pensions Reserve	**(325)**
215	Earmarked Reserves	**361**
189	Balances – Revenue Surplus	**301**
1,561	**Total Reserves**	**1,749**

58. TRUST FUNDS

The Council acts as sole trustee for one trust fund. The assets are not held by the Authority and they are not included in the Balance Sheet. The asset is an investment and the interest from this investment is used to provide a day out for disadvantaged children from the Newbold, Dunston and Old Whittington areas of the Borough.

Uncle Billy's Trust Fund	Income £000	Expenditure £000	Capital Value of Fund £000
2013/14	**(3)**	**4**	**67**
2012/13	(3)	3	61

59. THE ARVATO PARTNERSHIP

2013/14 is the fourth year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, human resources and payroll, IT, Facilities Maintenance, Asset Management and Invoice Processing together with call centre and reception services.

The contract specifies minimum standards for services, measured by key performance indicators, with deductions from the fee payable if performance falls below these minimum standards. The contract is subject to an annual indexation increase.

As part of the agreement, the contractor undertook to make and fund improvements to the Revenues Hall in Chesterfield to create a customer service centre, at no cost to the Council. These works were completed during 2012/13. The Revenues Hall will be returned to the Authority for no consideration at the end of the 10 year contract. The improvements have increased the value of the Revenues Hall and the resulting enhancement has been recognised on the Council's balance sheet.

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31st March 2014 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2014/15	4,690
Payable within two to five years	18,639
Payable within five to ten years	7,191
Total	**30,520**

60. CONTINGENT ASSETS

The Council is awaiting the outcome of a VAT refund claim which is yet to be resolved. It involves a claim of £5.5m relating to the Isle of Wight off-street car parking case for which a protective claim has been lodged.

HM Customs regard car parking as vatable but it is the view of local authorities that this is a statutory function and should therefore be treated as non-business income. Whilst the case is being considered, this authority has continued to pay the VAT to HM Customs to comply with their assertion that the income is vatable.

If the Courts decide that the local authority interpretation is correct, then the Council will receive a £5.5m refund from HM Customs.

61. CONTINGENT LIABILITIES

Property searches

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. They are seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £45,059 excluding interest and costs. The group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2014. Further appeals against valuations on the 2010 valuation list may be received in future years. The value of this liability is estimated at £335,000.

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The liability on 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 the Statement of Accounts, there is a risk that the Council's financial liability could increase from this level.

62. PENSIONS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE

The Code of Practice on Local Authority Accounting 2013/14 has introduced a change to the accounting treatment for Defined Benefit Pension schemes. This has required prior period adjustments to be made to the Council's 2012/13 published financial statements. There is no impact on the Balance Sheet.

The impact of these changes on the Council's other published core financial statements are listed below. Where disclosure notes have been restated in line with these adjustments, they have been headed accordingly.

Comprehensive Income & Expenditure Statement

	2012/13 Net Expenditure £000	Pension Restatement £000	2012/13 Net Expenditure Restated £000
Financing & Investment income & expenditure			
Pension Interest costs	8,081	(8,081)	-
Expected Return on pension assets	(6,181)	6,181	-
Net Interest cost	-	2,581	2,581
(Surplus)/Deficit on Provision of Services	**3,711**	**681**	**4,392**
Actuarial (gains)/losses on pension fund	12,032	(681)	11,351
Other Comprehensive Income & Expenditure	**10,506**	**(681)**	**9,825**
Total Comprehensive Income & Expenditure	**14,217**	**-**	**14,217**

Movement in Reserves Statement

	General Fund Balance (restated) £000	Earmarked General Fund Reserve £000	Housing Revenue Account £000	Earmarked Housing Revenue Account Reserve £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves (restated) £000**	Unusable Reserves (restated) £000	**Total Reserves (restated) £000**
Balance at 31st March 2012	**1,500**	**9,643**	**6,397**	**148**	**-**	**-**	**1,344**	**19,032**	**169,042**	**188,074**
Adjustment to balance at 31st March 2012 due to change in Crematorium proportion	-	27	-	-	-	-	-	27	52	79
Movement in reserves during 2012/13										
Surplus/ (deficit) on provision of services	(697)	333	(3,347)	-	-	-	-	(3,711)	-	(3,711)
Restatement adjustment for surplus/(deficit) on provision of services	(681)	-	-	-	-	-	-	(681)	-	(681)
Restated Surplus/(deficit) on provision of services	**(1,378)**	**333**	**(3,347)**	**-**	**-**	**-**	**-**	**(4,392)**	**-**	**(4,392)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(10,506)	(10,506)
Restatement adjustment on Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	681	681

Restated Other Comprehensive Income & Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,825)**	**(9,825)**
Total Comprehensive Income & Expenditure	(697)	333	(3,347)	-	-	-	-	(3,711)	(10,506)	(14,217)
Restatement adjustment for Total Comprehensive Income & Expenditure	(681)	-	-	-	-	-	-	(681)	681	-
Restated Total Comprehensive Income & Expenditure	**(1,378)**	**333**	**(3,347)**	**-**	**-**	**-**	**-**	**(4,392)**	**(9,825)**	**(14,217)**
Adjustments between accounting basis & funding basis under regulations	(14)	(269)	5,263	-	169	-	(228)	4,921	(4,921)	-
Restatement adjustment for adjustments between accounting basis & funding under regulations	681	-	-	-	-	-	-	681	(681)	-
Restated Adjustments between accounting basis & funding under regulations	**667**	**(269)**	**5,263**	**-**	**169**	**-**	**(228)**	**5,602**	**(5,602)**	**-**
Net Increase / Decrease before transfer to Earmarked Reserves	(711)	64	1,916	-	169	-	(228)	1,210	(15,427)	(14,217)
Transfer to/from Earmarked Reserves	961	(960)	(37)	36	36	-	-	36	(36)	-
Increase / Decrease in 2012/13	250	(896)	1,879	36	205	-	(228)	1,246	(15,463)	(14,217)
Balance at 31st March 2013 carried forward	**1,750**	**8,774**	**8,276**	**184**	**205**	**-**	**1,116**	**20,305**	**153,631**	**173,936**

Cashflow Statement

	2012/13 £000	Pension Restatement £000	2012/13 Restated £000
Net (surplus)/deficit on provision of services	3,711	681	4,392
Adjustments to net (surplus)/deficit on provision of services for non-cash movements	(24,232)	(681)	(24,913)
Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities	6,088	-	6,088
Net cash flows from Operating Activities	(14,433)	-	(14,433)

HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost.

The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT

	Notes	2013/14 £000	2012/13 £000
Income:			
Dwellings Rents	1	**35,365**	33,867
Charges for Services and Facilities		**640**	561
Non-Dwelling Rents		**664**	561
Contribution towards Expenditure		**516**	494
Total Income		**37,185**	35,483
Expenditure:			
Supervision & Management : General		**5,416**	4,915
Special		**2,377**	2,186
Rents, Rates, Taxes & Other Charges		**262**	164
Repairs and Maintenance		**8,783**	8,235
Negative HRA Subsidy		**-**	(15)
Depreciation & Impairment of non-current assets		**(4,062)**	15,747
Debt Management Costs		**58**	54
Movement in the allowance for bad debts		**89**	253
Total Expenditure		**12,923**	31,539
Net Expenditure/(Income) of Services as included in the Comprehensive Income & Expenditure Statement		**(24,262)**	(3,944)
HRA share of Corporate & Democratic Core		**25**	38
Net Expenditure/(Income) for HRA Services		**(24,237)**	(3,906)
HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement			
(Gain)/Loss on Disposal of HRA non-current assets		**1,007**	2,374
HRA share of interest payable & similar charges		**5,479**	5,606
Interest & Investment Income		**(39)**	(93)
Share of D.L.0./D.S.O. Surplus		**(500)**	(509)
Change in Market Value of Investment Properties		**(3,313)**	-
Income & Expenditure re Investment Properties		**(122)**	(125)
Capital grants and contributions receivable		**-**	-
(Surplus)/Deficit on HRA Services		**(21,725)**	3,347

Movement on the HRA Statement	2013/14 £000	2012/13 £000
Balance on HRA at end of previous year	**(8,276)**	(6,397)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	**(21,725)**	3,347
Adjustments between accounting basis and funding basis under statute (note 10)	**17,394**	(5,263)
Net (Increase)/Decrease before transfers to or from reserves	**(4,331)**	(1,916)
Transfers to/(from) reserves	**112**	37
(Increase)/decrease in year on HRA	**(4,219)**	(1,879)
Balance on HRA at end of current year	**(12,495)**	(8,276)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,592 dwellings available for rent during 2013/14. Its activities as a housing landlord must, by law, be shown in a separate account, the Housing Revenue Account. The law prescribes what must be included in this Account and prevents transfers to or from the General Fund except in closely defined circumstances.

1. RENT OF DWELLINGS

This is the total rent income collectable for the year after allowance is made for empty properties. During the year, £549,416 (1.55%) of rental income was lost due to vacant properties, in 2012/13 the figure was £432,094 (1.28%). The average weekly rent in 2013/14 was £77.85 (48 week year), an increase of £3.99 (5.41%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2014 was as follows:

	31 Mar 14	31 Mar 13
Houses	**4,927**	4,967
Flats & maisonettes	**3,260**	3,297
Bungalows	**1,394**	1,394
Others	**11**	16
Total	**9,592**	9,674

The number of properties sold under the 'Right to Buy' legislation in 2013/14 was 49 (37 in 2012/13).

3. RENT ARREARS

Rent arrears at the year end totalled £2,131,078. This compares with £1,979,292 at 31st March, 2013. A provision of £743,703 has been made in the Balance Sheet for uncollectable housing rent debts.

4. VALUATION OF ASSETS

An annual desk top review of HRA assets was undertaken as opposed to a comprehensive revaluation as at 31st March 2014 in accordance with the 'DCLG's Guidance on Stock Valuation for Resource Accounting'. The review comprised updating the valuations for residential property by applying selective indices of property prices, adjusted to reflect local market conditions in Chesterfield and comparison with valuation evidence, analysed down to estate level. The figure for 31st March 2013 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2014 £000	As at 31st March 2013 £000
Council Dwellings	**265,915**	252,365
Other Land & Buildings	**2,914**	2,995
Vehicles, Plant, Furniture & Equipment	**63**	58
Assets Under Construction	**585**	159
Surplus Assets Not Held for Sale	**1,245**	1,226
Investment Properties	**4,796**	1,482
Investment Property Held for Sale	**-**	-
Other Assets Held for Sale	**-**	54
Total	**275,518**	258,339

The balance sheet valuations for dwellings in the table above are calculated on the basis of rents receivable from existing tenancies. The rents are less than those that could be obtained on the open market. The balance sheet value defined as EUV-SH is therefore less than the OMV. The difference between the two values represents the economic cost of providing social housing at less than market value.

The vacant possession value of the dwellings as at 1st April, 2013 was £742m (£752m 1st April 2012). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the Open Market Value (OMV) of the stock to Existing Use Value – Social Housing (EUV-SH) for inclusion in the balance sheet was reduced from 50% to 34% with effect from 1st April, 2010.

5. HRA CAPITAL EXPENDITURE & FINANCING

Capital Expenditure		Capital Financing	
	£000		£000
Council Dwellings	12,283	Borrowing	-
Assets Under Construction	433	Capital Receipts Reserve	1,283
Vehicles, Plant, Machinery & Equipment	23	Major Repairs Reserve	9,082
		Grants & Contributions	2,340
		Revenue Balances & Direct Revenue Financing	34
Total	**12,739**		**12,739**

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2013/14 £000	2012/13 £000
Dwellings – Cash Sales	**2,267**	1,601
Other Land & Property	**-**	225
Total	**2,267**	1,826

7. DEPRECIATION

HRA Depreciation	2013/14 £000	2012/13 £000
Council Dwellings	**6,710**	6,774
Other Land and Buildings	**88**	97
Surplus Assets Not Held for Sale	**1**	1
Vehicles, Plant, Furniture and Equipment	**19**	15
Total	**6,818**	6,887

8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

The following revaluation/impairment losses (or reversals of past revaluation/impairment losses) together with amounts in respect of Revenue Expenditure Funded From Capital Under Statute (REFCUS) and movements in the fair value of investment property were recognised in Surplus/Deficit on the Provision of Services and then reversed out in the Movement in Reserves Statement by means of a transfer to/from the Capital Adjustment Account.

REFCUS, Revaluation and Impairment Losses	2013/14 £000	2012/13 £000
Council Dwellings	**(10,880)**	8,860
Other Land and Buildings	**-**	-
Surplus Assets Not Held for Sale	**-**	-
Revaluation and Impairment Losses	**(10,880)**	8,860
Movements in the fair value of investment property	**(3,314)**	-
Total	**(14,194)**	8,860

9. MAJOR REPAIRS RESERVE

Major Repairs Reserve	2013/14 £000	2012/13 £000
Balance brought forward at 1st April	**-**	-
Depreciation	**6,818**	6,887
Transfers in	**2,330**	1,976
Debits in respect of capital expenditure	**(9,082)**	(8,863)
Balance Carried Forward	**66**	-

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2013/14 £000	2012/13 £000
Net gain/(loss) on sale of HRA non-current assets	**(1,007)**	(2,374)
HRA share of contributions to or from the Pensions Reserve	**(245)**	(144)
Capital expenditure funded by the HRA	**34**	4,132
Transfer to/(from) Major Repairs Reserve	**2,330**	1,976
Movement in Market Value of Investment Properties (note 8)	**3,314**	-
Transfer to/(from) Capital Adjustment Account (note 8)	**10,880**	(8,860)
Voluntary Repayment of Debt	**2,140**	-
Short Term Accumulated Absences	**(52)**	7
Total Adjustments	**17,394**	(5,263)

COLLECTION FUND

The Collection Fund 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.

2012/13		2013/14		
Total £000		Business Rates £000	Council Tax £000	Total £000
	Income			
(38,994)	Council Tax (Note 1)	-	(40,572)	(40,572)
(9,143)	Council Tax Benefits Subsidy	-	-	-
(35,300)	Business Rates (Note 2)	(35,925)	-	(35,925)
(83,437)		(35,925)	(40,572)	(76,497)
	Expenditure			
	Apportionment of Previous Year Surplus/(Deficit)			
-	Central Government	-		
41	Chesterfield Borough Council	-	(12)	(12)
293	Derbyshire County Council	-	(83)	(83)
18	Derbyshire Fire Authority	-	(5)	(5)
45	Derbyshire Police & Crime Commissioner	-	(12)	(12)
397		-	(112)	(112)
	Precepts, Demands & Shares			
34,381	Central Government	17,171	-	17,171
4,975	Chesterfield Borough Council	13,736	4,240	17,976
35,349	Derbyshire County Council	3,091	29,251	32,342
2,204	Derbyshire Fire Authority	343	1,824	2,167
5,373	Derbyshire Police & Crime Commissioner	-	4,533	4,533
82,282		34,341	39,848	74,189
	Charges to Collection Fund			
-	Transitional Protection Payments	207	-	207
1,023	Increase/(Decrease) in bad debt provision (Note 5)	381	182	563
-	Increase/(Decrease) in provision for appeals	1,715	-	1,715
-	Business Rate Deferrals	220	-	220
165	Cost of Collection Allowance	165	-	165
430	**(Surplus)/Deficit arising during year**	**1,104**	**(654)**	**450**
(197)	**(Surplus)/Deficit Brought Forward**	**-**	**233**	**233**
233	**(Surplus)/Deficit as at 31st March (Notes 3 & 4)**	**1,104**	**(421)**	**683**

COLLECTION FUND

NOTES TO THE ACCOUNTS

1. COUNCIL TAX

The Council's Tax Base i.e. the number of chargeable dwellings in each band converted to an equivalent number of Band D dwellings was calculated as follows:-

Band	Estimated No. of Properties	Ratio	Band D Equivalents
A disabled	47	5/9	26
A	15,800	6/9	10,533
B	7,998	7/9	6,221
C	5,209	8/9	4,630
D	3,275	9/9	3,275
E	1,612	11/9	1,970
F	480	13/9	693
G	188	15/9	313
H	9	18/9	18
Totals	34,618		27,679
Less adjustment for collection rate			(525)
Council Tax Base			**27,154**

The basic amount of Council Tax for a Band D property was £1,456.23 (£1,448.02 2012/13).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (47.1p in 2013/14 and 45.8p in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

A small business rate relief scheme was introduced by central government in 2005/06 and for those businesses eligible for this relief the multiplier is reduced to 46.2p for 2013/14 (45.0p in 2012/13).

The Council is responsible for collecting business rates due in its area. In previous years the proceeds were paid into the N.N.D.R. Pool administered by the Government. The Government redistributed the sums paid into the Pool back to local authorities through the Formula Grant process each year.

From 2013/14, this has been replaced by the Business Rate Retention Scheme. Income collected is now shared between the Council, Central Government and major preceptors in proportions laid down by Government. Councils are now able to retain a share of any growth in business rate income.

The total non-domestic rateable value at 31st March 2014 was £88,670,629 (£88,225,319 as 31st March 2013).

3. COLLECTION FUND SURPLUS/(DEFICIT) – COUNCIL TAX

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated surplus of £234,633 was assumed when setting the Council Tax for 2014/15. The additional surplus of £186,646 will be recovered in the tax calculation for 2015/16.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2014 £000	2013 £000
Derbyshire County Council	309	(169)
Derbyshire Police & Crime Commissioner	48	(27)
Derbyshire Fire Authority	19	(10)
Chesterfield Borough Council	45	(27)
Council Tax (Deficit)/Surplus	421	(233)

The surplus attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed in the tax calculation in 2015/16 is subsequently reversed out and included in the balance sheet as part of Unusable Reserves. The proportion of the collection fund attributable to the three precepting authorities is included in the accounts as a debtor.

4. COLLECTION FUND SURPLUS/(DEFICIT) – BUSINESS RATES

From 2013/14, surpluses or deficits relating to Business Rates are shared between Derbyshire County Council, Derbyshire Fire Authority, Central Government and the Borough Council in proportions fixed by Government. As this is the first year of the scheme, there is no surplus of deficit carried forward from previous years. The deficit of £1,104,452 will be recovered in the income calculation for 2015/16.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH		
	Proportionate Share	2014 £000
Derbyshire County Council	9%	(99)
Derbyshire Fire Authority	1%	(11)
Central Government	50%	(552)
Chesterfield Borough Council	**40%**	**(442)**
Council Tax (Deficit)/Surplus	100%	(1,104)

The deficit attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed is subsequently reversed out in the balance sheet as part of Unusable Reserves. The proportion of the collection fund attributable to the other recipients is included in the accounts as a creditor.

5. IMPAIRMENT OF DEBTS – WRITE OFFS & ALLOWANCES

The arrears figure for Council Tax and Business Rates is disaggregated into an age profile with an assessment of the likelihood of recovery of the outstanding amounts for each year. This assessment is carried out using evidence of local patterns of collection and historical experience.

Individual assessments are carried out for council tax and business rate arrears to reflect the different types of customer and the different characteristics of each of these debt classifications.

The movements on the impairment provisions are shown below:

COLLECTION FUND – IMPAIRMENT ALLOWANCE				
Tax	Brought Forward	Write-offs in the year	Increase /(Decrease) in allowance	Carried Forward
	£'000	£'000	£'000	£'000
Business Rates	683	(328)	381	736
Council Tax	1,967	(59)	182	2,090
Total	2,650	(387)	563	2,826

6. PRECEPTS

Details of the major precepts on the fund are shown in the expenditure section of the account. The precept paid to Chesterfield Borough Council includes £306,033 parish precepts (Staveley £260,917 and Brimington £45,116).

DIRECT SERVICE AND OTHER TRADING ORGANISATION

SUMMARY REVENUE ACCOUNT

Revenue Account	2013/14			2012/13		
	Income £000	Expenditure £000	(Surplus) / Deficit £000	Income £000	Expenditure £000	(Surplus) / Deficit £000
Building Maintenance	**(13,170)**	**12,452**	**(718)**	(13,369)	12,683	(686)
Spirepride	**(3,185)**	**3,113**	**(72)**	(3,152)	3,064	(88)
Building Cleaning	**(646)**	**640**	**(6)**	(654)	639	(15)
PVCU Window Factory	**(109)**	**109**	**-**	(308)	299	(9)
Security Services	**(329)**	**340**	**11**	(320)	319	(1)
Total	**(17,439)**	**16,654**	**(785)**	(17,803)	17,004	(799)

NOTES

1. The provisions of the Local Government Planning and Land Act 1980 and the Local Government Act 1988 previously required the Council to keep separate accounts for Direct Labour and Direct Service Organisations (DSO's). Although this legislation no longer applies the Council has continued to maintain separate accounts on the old basis for all on-going contracts.

2. The income figure includes £48,804 on Building Maintenance and £21,899 on Spirepride which has been transferred from DSO's Accumulated Surpluses to reinvest in the service in the year. This means that only £714,000 (£782,000 in 2012/13) of surplus generated by the Direct Service & Other Trading Organisations is shown in the Comprehensive Income & Expenditure Statement.

AUDITORS REPORT (Covering pages 16 - 102)

Expected by 30th September 2014

GENERAL FUND BUDGET OUTTURN 2013/14 (J000)

MEETING:	(1)	CABINET
	(2)	LEADER IN CONSULTATION WITH THE DEPUTY LEADER
DATE:	(1)	17TH JUNE 2014
	(2)	10TH JUNE 2014
REPORT BY:	CHIEF EXECUTIVE HEAD OF FINANCE	
WARD:	ALL	

COMMUNITY FORUM: ALL

KEY DECISION REF: 401

FOR PUBLICATION

BACKGROUND PAPERS:
Final accounts working papers, Accountancy Section.

1.0 PURPOSE OF REPORT

1.1 To report on the General Fund Revenue and Capital Outturns for 2013/14, provide details of significant variations from the revised estimates and to consider carry forward requests.

2.0 RECOMMENDATIONS

2.1 That the General Fund Revenue and Capital Outturn reports for 2013/14 be noted.

2.2 That the General Fund carry forward requests be considered (para 4.4).

2.3 That the level of General Fund Reserves and Balances (Section 6 and Appendix E) be approved.

2.4 That the capital financing arrangements set out in Appendix F be approved.

3.0 BACKGROUND

3.1 The individual portfolio budget outturn reports are included as separate items on today's Cabinet agenda.

3.2 The external audit of the accounts is due to start in July. The formal published Statement of Accounts will be presented to the Standards and Audit Committee for approval at the end of September on conclusion of the audit. Once approved, a copy of the accounts will be placed on the Council's web-site.

3.3 This report includes details of the General Fund revenue account and the collection fund outturns, plus a summary of the General Fund Capital Programmes. There will be a separate report presented for the Housing Revenue Account covering both the revenue and capital elements. The information in these reports will then be incorporated into the published Statement of Accounts.

3.4 The Council's Financial Strategy sets out the Council's policy on the levels and nature of reserves and balances. The Strategy also defines how under or overspends should normally be treated at the end of each financial year:

- Any under spend on the General Fund will be transferred to the Budget Risk Reserve;
- Any over spend on the General Fund will be met from the Budget Risk Reserve or the General Working Balance;
- Any DLO/DSO surpluses arising in the year that are not required for operational purposes will be allocated as follows:
  - (i) That any surplus relating to Public Sector Housing activities will be transferred to the HRA; and
  - (ii) That any surpluses or deficits relating to General Fund Activities will be transferred to the Budget Risk Reserve.

4.0 GENERAL FUND REVENUE ACCOUNT

4.1 The Summary Revenue Account, comparing the outturn with both the original and revised estimates for the financial year, is shown at **Appendix A**. There was a net surplus of **£193,203** in the year compared with:

a) The **original** budget <u>deficit</u> forecast of £233,838.

b) The **revised** budget <u>deficit</u> forecast of £111,159.

There were numerous variances that contributed towards the £122k reduction from the original deficit forecast to the revised forecast, details of which were included in the budget report to the Cabinet on the 18th February 2014.

The outturn **surplus is £304k above the revised budget** forecast. Whilst a significant sum in absolute terms, the under spend is low in relative terms i.e. less than 1% of the Council's gross turnover (income plus expenditure), and low when compared with most of those achieved in recent years.

Details of the variances have been reported in the Executive Member reports. A summary of all the variances is included in **Appendix B**, the most significant include:

Table 1 – Significant Outturn Variances from Revised Budget

Budget	**Over/ (Under) £'000**
Significant over-spends:	
Town Centre property rents	45
Business Transformation	31
GPGS	27
Leisure Legacy Project	45
	148
Significant under-spends:	
Planning & BCN	(43)
Waste Collection	(17)
Car Parking	(65)
Homelessness	(47)
Queen's Park Sports Centre (c/f request £4k)	(49)
Winding Wheel	(36)
Market Hall	(39)
Learning & Development (c/fwd approved)	(32)
Legal, Civic & Democratic	(44)
Revenues & Benefits	(82)
Net of all other variances	2
Total Variances	**(304)**

Further work is required to establish which variances are likely to recur in future years. The results of this exercise will be included in the next budget monitoring report to the Cabinet.

4.2 There are significant variances on Asset Charges on some of the portfolios due to valuation adjustments for balance sheet purposes. Accounting regulations require the adjustments to be reflected in the appropriate service revenue account but they are then reversed out in the “Interest and Capital Charges” line of the summary revenue account (Appendix A). There is, therefore, no bottom-line impact from these valuation adjustments.

4.3 A subjective analysis of all the General Fund services is provided at **Appendix C**.

4.4 There are a number of **carry forward requests** to consider, as follows:

Table 2 – Carry Forward Requests

Portfolio	Service	Description	Amount	From
Dep Leader	Commu Infra Levy	Consultants’ fees re scheme set-up.	5,100	**In-to-Save Reserve**
Environment	Bereavement	Boythorpe Cemetery Baby Garden Project.	5,000	**Underspend**
	Parks	Path re-surfacing works for which there is no budget in 2014/15.	23,500	**Underspend**
Leisure	QP Sports Centre	Replacement uniforms delayed pending re-branding.	4,000	**Underspend**
	Staveley HLC		3,000	**Underspend**
Total			**£40,600**	

Further details on each of these requests are included in the individual Portfolio reports. Of the £40,600 total:

- £35,500 would have to be met from the under-spend in 2013/14; &
- £5,100 is provided for from reserves.

In addition, the carry forward of £32,000 unspent Learning and Development budgets has already been included in the outturn figures as it was previously approved by the Cabinet and Council in February as part of the budget setting report.

5.0 DLO/DSO’s

5.1 A summary of the DLO/DSO surpluses/deficits is shown in **Appendix D**. Two of the operations, Window Factory and Security Services, recorded a deficit in the year. The table below summarises the proposed distribution of the surpluses/deficits:

Table 3 – Allocation of DLO/DSO Surpluses	
Fund / Reserve	**Amount (£'000)**
Earmarked for carry forward requests	218
Housing related surplus to the HRA	500
General Fund Revenue Account	72
General Fund Budget Risk Reserve	(5)
Total	**785**

6.0 GENERAL FUND BALANCES AND RESERVES

6.1 The table below shows a summary of the General Fund Reserves and Provisions; more detail is provided in **Appendix E**. Please note that the **General Working Balance** which is being maintained at £1.75m, as agreed by the Cabinet in February 2013, is additional to the balances included in the table.

Table 4 – General Fund Reserves & Provisions 2013/14			
Reserve	**Opening Balance £'000**	**Closing Balance £'000**	**Revised Forecast £'000**
Budget Risks Reserve	**610**	**807**	**675**
- Plus 2013/14 surplus	**-**	**193**	**-**
Invest-to-Save Reserve	**775**	**393**	**328**
Service Improvement Reserve	**1,487**	**1,175**	**1,179**
Other Earmarked Reserves	**2,321**	**3,716**	**3,066**
Provisions	**2,994**	**1,700**	**1,900**
Total Reserves & Provisions	**8,187**	**7,984**	**7,148**

Overall the level of reserves and provisions are £836k above the revised budget forecast estimate. Further details are provided below.

6.2 **Budget Risk Reserve**
This reserve provides a supplement to the General Working Balance to cover any budget risks and to help finance any severance costs resulting from voluntary staffing reductions through implementing the Transformation Strategy. The table below provides a comparison of the revised budget with the outturn position. The balance in the reserve is above the revised budget forecast by £325k, due mainly to the inclusion of the 2013/14 net surplus of £193k.

Table 5 – Budget Risk Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance 1 Apr 2013	**610**	610
Movements in 2013/14:		
Contribution in: STWA consultation provision	**30**	30
Transfer from the Risk Management Reserve	**14**	15
Transfer in from Insurance Reserve	**393**	360
Building Cleaning DSO surplus	**6**	-
Security DSO deficit	**(11)**	(20)
Grant to the Credit Union	**(5)**	(5)
Settlement of the PPP Legal support account	**(25)**	(25)
Land Charges claims	**(12)**	(57)
Severance cost	**(192)**	(192)
STWA tenants consultation exercise	**-**	(30)
Learning & Development - training	**-**	(11)
Other	**(1)**	-
2013/14 budget outturn surplus	**193**	
Balance c/fwd 31st Mar 2014	**1,000**	675
Outstanding Commitments:		
STWA tenants consultation exercise	**(30)**	-
Land Charges claims	**(44)**	-
Learning & Development - training	**(11)**	-
Governance restructure severance costs	**tbc**	tbc
2013/14 carry forward requests	**(36)**	
Uncommitted Balance	**879**	675

The above table does not include any provision for potential future costs related to severance costs arising from the current voluntary redundancy and voluntary early retirement schemes.

6.3 Invest-to-Save Reserve

The table below shows details of the movements and commitments on the reserve.

Table 6 - Invest-to Save Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance b/fwd 1 Apr 2013	**775**	775
Movements in 2013/14:		
Leisure Legacy	**(120)**	(120)
Community Infrastructure Levy	**(3)**	(9)
Legal Case Management System	**(12)**	(12)
Corporate meeting system	**(9)**	(9)
Town Hall – VSO co-location	**(103)**	(80)
Payment Kiosk at Staveley (SHLC)	**(25)**	(25)
Customer Service Strategy - capital	**-**	(80)
ICT Disaster Recovery	**(69)**	(58)
Holmebrook Valley Park drainage	**(23)**	(44)
Venues	**(18)**	-
Local Collective Agreement	**-**	(10)
Balance c/fwd 31st Mar 2014	**393**	328
Outstanding Commitments:		
Venues refurbishment	**(90)**	(108)
Holmebrook Valley Park drainage	**(21)**	-
Community Infrastructure Levy	**(5)**	-
Customer Service Strategy - capital	**(105)**	-
Local Collective Agreement	**(10)**	-
Car park improvements	**(111)**	(111)
CMT re-structure – external advice	**(25)**	
Repayments into the fund	**-**	7
Uncommitted Balance c/fwd	**26**	116

The main issue to note is that the forecast balance will reduce to just £26k in the near future after all the known commitments are taken into account.

6.4 **Service Improvement Reserve**
The table below provides a comparison of the revised budget estimate and the outturn position.

Table 7 - Service Improvement Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance 1 Apr 2013	**1,487**	1,487
Movements in 2013/14:		
Planning enquiry	**(77)**	(77)
Training on contract administration in 13/14	**(2)**	(2)
Project Academy	**(21)**	(27)
Holmebrook Valley Park drainage	**(32)**	(32)
Eastwood Park	**(69)**	-
Venues	**(31)**	(51)
Grit storage	**(13)**	(18)
Car parking improvements	**-**	(15)
ICT – core infrastructure	**(75)**	(73)
Learning & Development	**8**	(13)
Balance c/fwd 31st Mar 2014	**1,175**	**1,179**
Outstanding Commitments:		
Learning & Development	**(13)**	-
Project Academy (balance)	**(6)**	-
Grit storage facility	**(5)**	-
Venues refurbishment	**(20)**	-
Car parking improvements	**(15)**	-
Uncommitted Balance	**1,116**	**1,179**

6.5 **Other Earmarked Reserves** - these reserves are held for specific purposes. The total balance on these reserves increased by £650k over the revised forecast for the financial year 2013/14. The most significant changes include:

- Vehicle & Plant - £227k above the revised forecast due to reduced expenditure.
- Flood Restoration Fund - £45k above the estimate due to reduced expenditure.
- ICT Reserve - £46k above the estimate due to reduced expenditure.
- Working Neighbourhoods Fund - £42k above the revised forecast but this increase is committed for on-going projects.
- GP:GS ICT Projects - £50k fund not used.
- Retained Business Rates Reserve – the £238k surplus in the year set aside as a provision for future deficits.

6.6 **Provisions**

a) Transport Company Pensions Provision – this provision has been established to cover the Council's future liabilities for pension costs relating to the employees of the former Transport Company. The provision was last reviewed by the County Council's pension fund actuary in 2010/11. The County Council were asked to commission a further review in order to inform the 2014/15 budget process but to date no update has been received.

b) Insurance Provisions – in addition to the provisions, which cover reported claims only, the Council also holds money in Insurance Reserves to cover future claims. An actuarial review was undertaken in 2013 which concluded that the overall amounts held could be reduced by £393k (which was transferred into the Budget Risk Reserve) and that the remaining balance should be re-allocated between the provision and reserves elements. The MMI Provision for the first 15% claw-back (£204k) was paid in 2013/14. A further £503k is held in a reserve account to cover possible future claw-back claims.

c) Planning LDF Review Provision – the balance in this fund is above the revised estimate but the funds will be used in future years.

6.7 It is important for Members to appreciate that many of the reserves and provisions are earmarked for specific purposes. The Funds should not, therefore, be regarded as being available for general use. An additional consideration is the fact that the Council receives interest from the reserves and provisions, which is used to support the Council's revenue budget.

7.0 CAPITAL EXPENDITURE AND FINANCING

7.1 The capital expenditure outturn figures have been included in the individual Executive Member reports. **Appendix F** provides details of the total General Fund Capital Programme expenditure and financing for the financial year.

7.2 Actual expenditure on schemes was £6.8m compared with the original budget for the year of £6.5m (as at Feb 2013) and £7.7m at the revised budget stage (February 2014). The main reasons for the variance from the revised budget (-£0.9m) include slippage on the following schemes:

- Housing General Fund schemes – Home Repairs Assistance, Private Sector Decent homes, Disabled facilities Grants, etc. - £0.6m;
- Vehicles, Plant & Equipment - £0.2m;
- Gateway Enhancements - £0.1m;

7.3 On the financing side, the amount funded from Prudential Borrowing increased by £578k to £2.6m. The bulk of the increase was due to slippage between financial years, including:

a) Delayed capital receipts (£379k) which will be used to repay the temporary borrowing once they are received.

b) The re-profiling of some expenditure on the new Sports Centre into 2013/14 (£132k) thereby bringing forward the borrowing requirement.

c) The need to temporarily finance £200k of expenditure on the Market Hall pending submission and approval of the THI grant application.

8.0 CAPITAL RECEIPTS

8.1 The movement on useable capital receipts in the year is summarised in the table below. All useable receipts were used in the year.

Table 8 - Useable Capital Receipts			
	Gen Fund £’000	**Housing £’000**	**Total £’000**
Balance b/fwd 1st April	-	206	206
Add: Receipts in the year	492	2,267	2,759
Less: Housing receipts 'Pooled'	-	(761)	(761)
Less: Applied to finance GF cap ex	(492)	-	(492)
Less: Applied to finance HRA cap ex	-	(1,283)	(1,283)
Balance c/fwd 31st March	**-**	**429***	**429**

* The Housing balance of £429k represents the retained ‘one-for-one’ element of RTB receipts.

8.2 During the year it proved difficult to sell land and property. The table below shows how the forecast for General Fund capital receipts was reduced through the course of the financial year and that the actual amount achieved was below the revised budget:

Table 9 – General Fund Capital Receipts	
	Amount (£’000)
Original Budget Forecast – start of year	2,380
Revised Budget Forecast – Jan 2014	871

Actual	492

Two major disposals, totalling over £0.5m, have now slipped into 2014/15. This takes the target receipts figure for 2014/15 to £4.6m and to date over £2.5m of sales (including £1.5m re Newbold School) have been agreed (but not yet completed).

9.0 COLLECTION FUND SURPLUSES

9.1 The Council is required to maintain a Collection Fund to account for the expenditure and income relating to the Council Tax (including the precepts of other authorities) and National Non Domestic Rates.

9.2 Surpluses or deficits relating to the Council Tax are shared between the Derbyshire County Council, Derbyshire Police Authority, the Fire Authority and the Borough Council in proportion to the precepts issued and must be used to adjust the Council Tax. The outturn balance on the Council Tax elements of the Fund is a surplus of £421,279. A surplus of £234,633 was estimated when setting the Council Tax for 2014/15. The increased surplus was due largely to a reduction in the provision for bad debts. The increase in the surplus will be carried forward to the tax calculation exercise for 2015/16. The Council's share of the increased surplus, at 10.52%, will be £19,635.

9.3 Business Rates – Surpluses or deficits relating to Business Rates are shared between Central Government, Derbyshire County Council, Derbyshire Fire Authority and the Borough Council in proportions laid down by Government. The outturn balance on the Business Rate element of the Fund is a deficit of £1,104,452. As this is the first year of the scheme, no deficit or surplus was assumed for 2013/14. The Council's share of this deficit is £441,780 (40%) and will be taken into account as part of the budget setting process for 2015/16. To help offset the deficit, the surplus achieved in 2013/14 (£238k) as a result of the reduced levy, has been set aside into an earmarked reserve. In view of the deficit recorded in 2013/14 work is currently being undertaken to assess if it is a one-off or to what extent it is a recurring issue.

10.0 CONCLUSIONS AND IMPLICATIONS FOR THE MEDIUM TERM

10.1 The medium term financial outlook gets progressively worse as the further cuts in Government funding are anticipated. The budget forecasts approved in February show deficits, before the Transformation Savings, of:

- £0.6m in 2014/15;
- £1.2m in 2015/16;
- £2.0m in 2016/17;
- £2.5m in 2017/18; &
- £2.8m in 2018/19.

10.2 The medium term forecast will have to be updated to reflect the impact of budget variances recorded in 2013/14 that are likely to be of a recurring nature. This will require further work to get a better understanding of why the variances occurred. The outcome of this exercise will be included in the next budget monitoring report to the Cabinet.

10.3 The future forecasts include allowances for the most significant budget risks facing the Council but the final outcomes may be quite different, such as:

- Further cuts in Government grants from April 2016, after the current settlement expires, beyond those assumed in the budget forecast.
- The introduction of the Business Rates Retention and Localised and Council Tax Support schemes in April 2013 transferred some significant financial risks to local government. The risks include the cost of backdated Business Rate appeals, the growth or decline in the Business Rate base and the collection of Council Tax from those who have had their support reduced. As we have seen from the Business Rate Account in 2013/14 it is difficult to predict the net income due to the Council even for just one year ahead.
- From 2016/17 the budget forecasts assume a 2.0% council tax increase and a 0.5% growth in the tax base, equivalent to approximately £100k (£80k + £20k) in each year. There is a risk that future Governments will introduce measures to limit future tax increases.
- Delays in delivering the required budget savings in future years.

10.4 The main conclusions to be drawn from this report are:

- Improved budget management and control helped to convert a forecast deficit into a surplus by the end of the financial year. The under-spend achieved in 2013/14 was at low level when compared to those achieved in previous years. Given the way in which the base budget has been reduced it is unlikely that there will be a return to the era of significant under-spends. Also, the scale of the forecast budget deficits means that the Council cannot rely on future under-spends to bridge those deficits. Significant budget cuts will have to be made over the next few years if a sustainable budget position is to be achieved.
- The Council continues to be exposed to significant financial risks due the wide range of services it provides and the heavy reliance on income from rents, fees and charges.
- The working balance is being maintained at £1.75m. In addition, healthy balances are retained in other earmarked reserves and provisions. It is, however, important that strong financial discipline is maintained to ensure that a reasonable balance is retained in these funds, by controlling their use and creating capacity within the revenue budget to be able to replenish them.
- In terms of the General Fund Capital Programme the Council is exposed to a number of significant financial risks including generating capital receipts and cost overruns.
- The Cabinet will require regular updates on both the revenue and capital budgets to ensure that the financial risks referred to above are being effectively managed.

11.0 RECOMMENDATIONS

11.1 That the General Fund Revenue and Capital Outturn reports for 2013/14 be noted.

11.2 That the General Fund carry forward requests be considered (para 4.4).

11.3 That the level of General Fund Reserves and Balances (Section 6 and Appendix E) be approved.

11.4 That the capital financing arrangements set out in Appendix F be approved.

12.0 REASON FOR RECOMMENDATION

12.1 In the interest of sound financial management.

H. BOWEN **CHIEF EXECUTIVE**	**B. DAWSON** **HEAD OF FINANCE**

Officer recommendation supported/not supported/modified as below or Executive Member’s recommendation/comments if no officer recommendation.

Signed Executive Member

Date

Consultee Executive Member/Support Member comments (if applicable)/declaration of interests.

Author - Barry Dawson, ext 5451.

Annexe 2

APPENDIX A

GENERAL FUND OUTTURN 2013/14

	Original £	Revised £	Outturn £	Variance £
Per Lead Member reports:				
Leader - Regeneration	465,410	389,480	**427,502**	38,022
Deputy Leader	(1,198,930)	(1,264,040)	**(13,400,703)**	(12,136,663)
Environment	5,204,860	5,313,880	**5,945,113**	631,233
Homes & Neighbourhoods	1,702,700	1,217,330	**1,026,106**	(191,224)
Leisure, Culture & Tourism	3,183,030	3,524,010	**6,829,376**	3,305,366
Governance & Organisational Dev't	3,490,730	3,655,740	**3,155,624**	(500,116)
Customers & Communities	1,880,960	1,571,710	**1,509,670**	(62,040)
Other Other Income:	(27,280)	(80,182)	**(80,700)**	(518)
Transformation Savings	(634,620)	(10,590)	**-**	10,590
Staff vacancies allowance	(100,000)	-	**-**	-
Share of Crematorium Surplus	(55,000)	(55,000)	**(55,000)**	-
Spirepride surplus	(38,200)	(134,690)	**(72,217)**	62,473
DSO (surplus)/deficit	-	-	**5,142**	5,142
Car allowance scheme	(62,000)	(5,000)	**-**	5,000
Other incl bad debt provision	50,000	50,000	**45,774**	(4,226)
Total Service Expenditure	13,861,660	14,172,648	**5,335,687**	(8,836,961)
Interest & capital charges	(2,098,130)	(1,723,220)	**6,780,052**	8,503,272
Contributions from Invest to Save	(3,100)	(149,420)	**(143,820)**	5,600
From Service Improv't Reserve	(79,000)	(92,000)	**(110,354)**	(18,354)
From Budget Risk Reserve	(40,950)	(215,880)	**(205,398)**	10,482
Contributions to Renewals Fund etc	146,000	146,000	**146,000**	-
To/(fm) Business Rates Risk Res	-	-	**237,851**	237,851
To/from Reserves	-	(85,500)	**(21,240)**	64,260
DSO surplus/deficit to/fm reserves	-	-	**(5,142)**	(5,142)
Balance - to/(from) reserves	**(233,838)**	**(111,159)**	**193,203**	304,363
NET EXPENDITURE	11,552,642	11,941,469	**12,206,840**	
Financed By:				
RSG	4,429,844	4,429,844	**4,429,844**	
Business Rates Baseline	2,947,054	2,947,054	**2,947,054**	
Settlement Funding	7,376,898	7,376,898	**7,376,898**	
Retained Business Rates Growth	-	311,990	**46,489**	
Small Business Rate Relief Grant	-	-	**503,352**	
Cnl Tax Support - Transition Grant	23,057	23,057	**23,057**	
Cnl Tax support grants to parishes	(67,928)	(67,928)	**(67,928)**	
Council Tax Fund Surplus/(Deficit)	(11,704)	(11,704)	**(11,704)**	
Other Government grants	-	-	**25,944**	
New Homes Bonus	297,980	374,817	**376,393**	
Council Tax (taxbase x tax below)	3,934,339	3,934,339	**3,934,339**	
TOTAL FINANCING	11,552,642	11,941,469	**12,206,840**	

APPENDIX B

2013/14 VARIANCE ANALYSIS - REVISED TO OUTTURN

Leader:	
Dunston Innov Centre	19
Other (net)	(1)

Planning:	
Industrial & commercial property	14
Town Centre properties - rents	45
Planning	(16)
Building Control - share of surplus	(27)
Engineers	(20)
Business Transf: GP:GS	58
Other (net)	(5)

Environment:	
Waste collection contract	(17)
Street Cleaning	(11)
Car Parking	(65)
Licensing	21
Parks	(54)
Other (net)	(2)

Housing General Fund:	
Homelessness	(47)
Home Improvement Agency	(14)
Private Sector Housing Admin	(18)
Other (net)	(6)

Leisure:	
Queen's Park Sports Centre	(49)
Staveley Healthy Living Centre	(15)
Legacy Project	45
Winding Wheel	(36)
Pomegranate	13
Markets Hall	(39)
Other (net)	(3)

Governance:	
Training Costs	(32)
Legal, Civic & Democratic	(44)
Financial Services - staffing	(16)
Pensions	(14)
HR	10
Other (net)	26

Customers & Communities:	
Revenues & Benefits Admin	(82)
Communications	10
Grants to voluntary organistations	(7)
Other (net)	(3)

Internal Recharges:	
Pension costs/absences	(25)
Accumulated absences	(7)

Non-Portfolio Budgets:	
Grants	(26)
Retained business rates	(237)
Tfr to Bus Rates Risk Fund	237
Transformation savings	11
SpirePride surplus	62
to/from - Invest to Save Res.	6
to/from - Service Improv't Res.	(18)
to/from - Budget Risk Reserve	10
to/from - other reserves	65
Other	0

Overall Variance	**(304)**

Controllable total	(414)

APPENDIX C

GENERAL FUND SERVICE EXPENDITURE SUBJECTIVE ANALYSIS

	Original	Revised	Outturn	Variance Original to Outturn		Variance Revised to Outturn	
	£'000	£'000	£'000	£'000	%	£'000	%
Expenditure:							
Employees	9,182	9,768	**9,465**	283	3.1	(303)	(3.1)
Premises	4,630	4,585	**4,509**	(121)	(2.6)	(76)	(1.7)
Transport	144	187	**172**	28	19.4	(15)	(8.0)
Supplies & Services	6,032	6,546	**6,370**	338	5.6	(176)	(2.7)
Transfer Payments	37,202	36,259	**36,273**	(929)	(2.5)	14	0.0
Agency & Contracted	9,571	9,567	**9,621**	50	0.5	54	0.6
Central & Dept Support	8,807	8,542	**8,667**	(140)	(1.6)	125	1.5
Capital & Asset Charges	4,143	3,735	**(4,855)**	(8,998)	(217.2)	(8,590)	(230.0)
HRA Contribution	617	620	**571**	(46)	(7.5)	(49)	(7.9)
Transfer to Reserves	0	0	**3**	3		3	
Total Expenditure	80,328	79,809	**70,796**	(9,532)	(11.9)	(9,013)	(11.3)
Income:							
Rents	7,177	7,191	**7,157**	20	0.3	34	0.5
Sales	547	487	**507**	40	7.3	(20)	(4.1)
Fees & Charges	8,003	7,978	**8,150**	(147)	(1.8)	(172)	(2.2)
Grants	39,172	38,378	**38,218**	954	2.4	160	0.4
Recharges & other	11,567	11,603	**11,428**	139	1.2	175	1.5
Total Income	66,466	65,637	**65,460**	1,006	1.5	177	0.3
Total Service Net Expd	13,862	14,172	**5,336**	(8,526)	(61.5)	(8,836)	(62.3)

APPENDIX D

DSO/DLO SURPLUSES / (DEFICITS) 2013/14

	Surplus / (Deficit) £	Reserved for carry forwards (see below) £	To HRA £	To Gen Fund Revenue Account £	To Budget Risk Reserve £
Building Maintenance	**718,003**	218,000	500,003	-	-
Window Factory	**(417)**	-	(417)	-	-
Spirepride	**72,217**		-	72,217	-
Building Cleaning	**5,790**	-	-	-	5,790
Security Services	**(10,932)**	-	-	-	(10,932)
Total	**784,661**	**218,000**	**499,586**	**72,217**	**(5,142)**
Details of Carry Forward Requests:					
OSD:					
Replace roof on Store		38,000			
Electric security gates		10,000			
Tarmac depot site		45,000			
Conservatory & ladies toilet		30,000			
Re-site stores compound		10,000			
Office alterations		3,500			
Redundancy provision		81,500			
Total		**218,000**			

APPENDIX E

GENERAL FUND RESERVES AND PROVISIONS

9001 code	Purpose	Bal at start of year £'000	Bal at end of year £'000	Revised Bud Est £'000
3240	Vehicles and Plant	612	878	651
	Wheelie Bin Replacements	261	189	211
3241	Property Repairs	512	642	633
3244	Asset Management	44	44	44
3246	Risk Mgt Initiatives	23	10	5
3248	Zurich - Risk Mgt Reserve	-	10	-
3263	Museum Exhibits	25	25	25
3265	Flooding Restoration Fund	82	82	37
3378	MMI Clawback Reserve	-	503	503
3380	ICT	51	46	
3390	Insurance - claims not yet reported	177	567	567
3391	Working Neighbourhoods WNF	326	224	182
3398	GP:GS Reserve	-	50	-
3399	Retained Business Rates Res.	-	238	-
3411	New Homes Bonus - Waterside	208	208	208
	Earmarked Reserves	**2,321**	**3,716**	**3,066**
3388	Budget Risk (incl. 13/14 surplus)	610	1,000	675
3389	Invest to Save	775	393	328
3412	Service Improvement	1,487	1,175	1,179
	Reserves Total	**5,193**	**6,284**	**5,248**
3264	Planning LDF Review	223	242	241
3237/8	Insurance - reported claims	1,506	497	494
3247	MMI Claw-back	300	11	216
3239	Transport Co. Pensions	965	950	949
	Provisions Total	**2,994**	**1,700**	**1,900**
	Reserves & Provisions Total	**8,187**	**7,984**	**7,148**

APPENDIX F

GENERAL FUND CAPITAL PROGRAMME 2013/14

SCHEME	Original Budget Cab Feb 13 £'000	Revised Budget Cab Feb 14 £'000	Outturn £'000
C'fld Gateway Enhancement Project	-	97	16
Sheffield Rd Fire Station	550	550	571
Destination C'fld - public realm	-	37	17
Leader - Regeneration	**550**	**684**	**604**
Hollis Lane Flood resilience work	97	50	11
Brampton Flood Resilience	-	50	26
Townscape	516	-	-
Major Property Repairs unallocated	200	-	-
Planning	**813**	**100**	**37**
Thistle Park	24	-	-
Holmebrook Valley Pk Drainage	165	163	110
Eastwood Park	321	360	355
Eastwood Park - Pavillion	336	34	27
Grit Storage	-	27	13
SpirePride depot relocation	-	223	244
OSD computer system	33	103	102
Environment	**879**	**910**	**851**
House Repairs Assistance	275	275	157
Private Sector Decent Homes	183	203	121
Disabled Facilities Grants	650	465	382
Empty Properties	-	4	-
RSL Support	166	311	-
Fuel Poverty	-	109	127
Housing Gen Fund	**1,274**	**1,367**	**787**

Market Hall Refurbishment	2,393	3,399	3,369
Venues Refurbishment	39	53	82
QPSC new build	-	350	482
Leisure, Culture & Tourism	**2,432**	**3,802**	**3,933**

<table>
<tr><td>IT Strategy (from IT Reserve)</td><td>146</td><td>199</td><td>152</td></tr>
<tr><td>ICT Core Infrastructure</td><td>-</td><td>110</td><td>112</td></tr>
<tr><td>ICT - Disater Recovery</td><td>-</td><td>69</td><td>69</td></tr>
<tr><td>VPE - Income Mgt System</td><td rowspan="3">417</td><td rowspan="3">363</td><td>12</td></tr>
<tr><td>Vehicles & Plant (V&P Fund) - minor</td><td>128</td></tr>
<tr><td>Vehicles & Plant (V&P Fund) - major</td><td>27</td></tr>
<tr><td>Governance</td><td>563</td><td>741</td><td>500</td></tr>
</table>

GP:GS - Town Hall re VO relocation	-	80	110
Self-service payment m/c SHLC	-	29	25
Customer Services Strategy	25	-	-
Customers & Communities	**25**	**109**	**135**

General Fund Major Cap Expd	**6,536**	**7,713**	**6,847**

CAPITAL PROGRAMME FINANCING			
Financing of Major Cap Expd:			
Prudential Borrowing	741	1,998	2,621
Capital Receipts	2,380	871	492
Grants & Contributions (see below)	3,053	3,543	2,525
Invest to Save Res.- CSS	25	29	25
Invest to Save Res.- HBVP	44	44	23
Invest to Save - Venues	-	-	18
Invest to Save Res.- Town Hall VOs	-	80	103 7
Invest to Save Res.- disaster recov	-	69	69
Service Imp Res - Market Hall	468	-	-
Service Imp Res - Eastwood Pk	29	14	69
Service Imp Res - Venues	16	14	31
Service Imp Res - HBVP drainage	36	36	32
Service Imp Res - grit storage	-	18	13
Service Imp Res - ICT core infra	-	73	18 56
Contrib from HRA - grit storage	-	9	-
Contrib from HRA - ICT core infra.	-	37	37
DLO/DSO Reserve	33	151	201
Prop Repairs Fund - Eastwood Pk	35	-	20
Prop Repairs Fund - Mkt Hall	120	120	120
ICT Reserve	146	199	152
Vehicle & Plant Fund - minor	417	363	128
Vehicle & Plant Fund - major	-	-	39
Rev - Destination C'fld	-	-	17
Rev - Gateway Enhancements	-	-	16
Rev - Market Hall	-	-	15
Capital Expd Financing	**7,543**	**7,668**	**6,847**

Financing Surplus / (Deficit)	**1,007**	**(45)**	**0**

GRANTS & CONTRIBUTIONS			
RSL Haslam Homes		115	-
RSL Westbury		30	-
RSL RHCP		21	-
NHB Waterside		145	-
Private Sector Decent Homes		203	118
Decent Homes - Independ Living		-	3
Diabled Facilities Grant		465	382
Fuel Poverty - DECC		109	127
Eastwood Park - SITA		25	25
Eastwood Park - HLF		457	342
Market Hall - ERDF		1,400	1,400
Market Hall - THI		200	-
Dest'n C'fld Public Realm		37	-
Hollis Lane Flooding - Enviro Agency		50	43
Brampton Flooding - Enviro Agency		50	-
HVP - Football Foundation		87	55
Venues - Arts Council		39	33
Eastwood Park Pavillion - Sp Eng		13	-
C'fld Gateway Project - ERDF		60	-
C'fld Gateway Project - S106		37	-
Dest'n C'fld - TIC clawback		-	(3)
	-	**3,543**	**2,525**

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

Chesterfield Borough Council

September 2014

Contents

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Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at Chesterfield Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during March 2014 (interim audit) and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

We have made one recommendation in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund. In common with many local authorities, the Authority has put through a prior year adjustment to reflect changes in the international accounting standard IAS19 Employee Benefits. Strict application of accounting standards say that a prior year adjustment should only be made if there is a change in accounting policy or results in material amendments. The amendment is not material and is not a change in the Authority's accounting policy, and therefore the amendment should not have been made. As the amendment is not material, we have not sought amendment to the accounts. We have accepted the Authority's explanation that it chose to make the amendment in order to that users of the accounts are aware of what had changed from previous year.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within planned timescales. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014. The position is becoming more challenging for the Authority and regular monitoring and reporting of the financial position is required to ensure savings are being delivered and budgets are being controlled. We have raised one recommendation in respect of this issue.

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by Members **on** 26 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements.

We did identify a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

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In our *External Audit Plan 2013/14*, presented to you in April 2014, we identified the key risk affecting the Authority's 2013/14 financial statements. We have now completed our testing of this area and set out our evaluation following our substantive work.

The table below sets out our detailed findings for the risk that is specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
LGPS Triennial Review	During the year, the Local Government Pension Scheme for Derbyshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Derbyshire County Council who administer the Pension Fund.	As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data. We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf. There are no issues to report.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the Authority has maintained the good supporting working papers following improvements implemented last year.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2014, and discussed with the corporate finance team. The quality of working papers was of a good standard and assisted the delivery of a smooth audit engagement.
Response to audit queries	Officers were proactive in resolving audit queries, this meant responses were timely and of a good standard.

Other specific issues

NNDR additional work

On 1 April 2013 a new system of business rate retention began. Some of the guidance relating to the changed requirements was late in being issued.

This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.

We reviewed the Authority's accounting treatment for business rates and found this to be in line with CIPFA guidance.

This work was additional to our original audit plan but is common issue across all local authorities. We are currently in discussion with the Audit Commission about how this additional work is to be funded but may result in a small additional audit fee.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendation we made in last years ISA 260 report.

This concerned the inconsistencies over dates and guidance in the Valuation Report supporting the valuations of the Authority's property plant and equipment.

We recommended that these were reviewed and note that this has been done in 2013/14..

Control environment

The Authority's organisation and control environment is effective.

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During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We have assessed your IT environment for own purposes and we have no issues to report.

Working with Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We have reviewed internal audit's reports throughout the year to inform ourselves of any significant risks in relation to our opinion work. However, there have been no specific instances during the course of the year where we have sought to rely on the work of internal audit.

Controls over key systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are sound. Internal audit included recommendations in their reports as appropriate.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

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Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Chesterfield Borough Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Chesterfield Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 1 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the S151 Officer for presentation to the Audit and Standards Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Section four

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

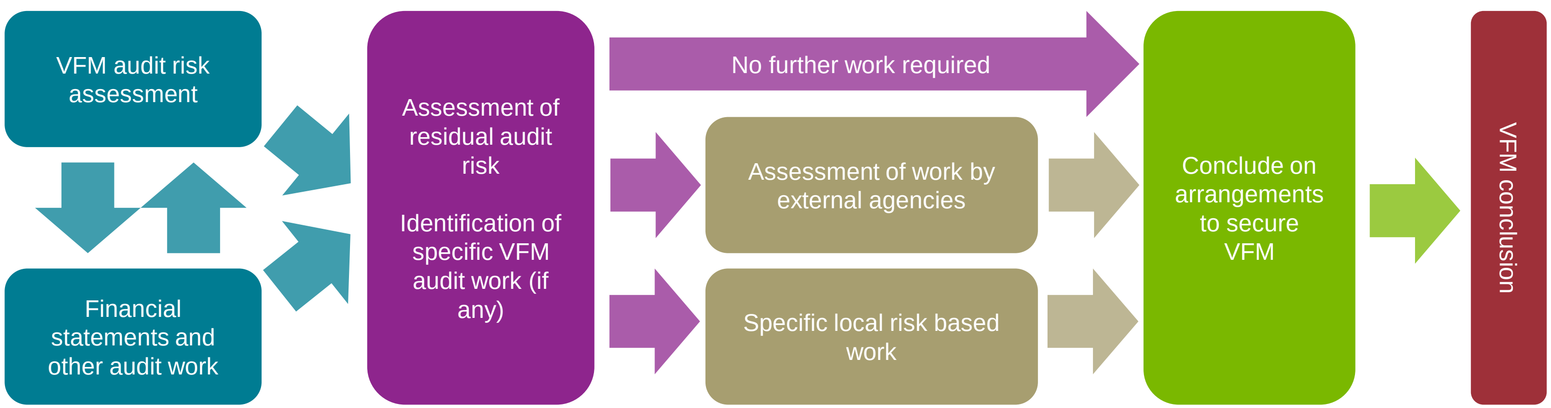
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following page includes further details of our risk assessment.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Specific VFM risks

We have identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our Audit Plan we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	As at February 2014, the Authority is forecasting that it will deliver £0.750m of planned savings and reduce the overall planned in year deficit to £0.111m by the end of 2013/14. Looking ahead, the Authority's Medium Term Financial Plan 2014 to 2017 (MTFP) published in February 2014 has set a balanced budget for 2014/15. This assumes that the Authority will identify, implement and deliver the approved savings proposals totalling £0.824m. There are further substantial savings requirements in the following year with the need for a total of £1.7m savings in 2015/16 although a substantial element should be delivered through recurrent savings from 2014/15. Against a backdrop of reduced funding and continued demand pressures it will become increasingly difficult to deliver savings in a way that secures longer term financial and operational sustainability.	The latest budget monitoring report to the end of July 2014 identifies a number of significant variances including a shortfall on car parking income, potentially increased pension costs for staff transferred under the PPP contract and a slow start to delivering some of the bigger savings targets for 2014/15. Without corrective action these changes could add: • £0.545m to the 2014/15 budget, converting the original forecast surplus of £0.244k to a deficit of £0.301m; and • £0.921m to the 2015/16 budget, converting the original forecast surplus of £0.450m to a deficit of £0.471m. The Authority, however, is confident that it can take the required action through the remainder of the financial year to significantly reduce the updated deficit forecasts. The position is becoming more challenging for the Authority and regular monitoring and reporting of the financial position is required to ensure savings are being delivered and budgets are being controlled.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

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We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	The financial position of the Authority is becoming more challenging with the latest budget monitoring report showing a number of significant areas of potential overspend which if not addressed will add around £0.5m to the current year's expenditure and just under £1m to the 2015/16 budget. Although the Authority is confident that corrective action can be taken in year it is imperative that this is closely monitored and that all members are kept informed of the financial position on a regular basis.	Chief Financial Officer to provide the following budget monitoring information: • Budget update at each Financial Planning Group meeting – fortnightly. • Budget monitoring reports issued to budget holders - monthly. • Budget update at Cabinet/CMT Workshops - monthly • Quarterly budget monitoring reports to the Cabinet, Overview & Performance Scrutiny Forum and full Council. • First draft budget report to the Cabinet in December and the final budget report in February.

Appendix 2: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

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Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Chesterfield Borough Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and the Chesterfield Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

cutting through complexity™

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Mrs S Sunderland
KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

26th September 2014

Dear Mrs Sunderland

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and

    ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

    The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable. [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

5. There are no material misstatement in the prior period financial statements to correct. [ISA (UK&I) 710.9]

Information provided

6. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

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

8. The Authority confirms the following:

i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

12. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,
-

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Standards Committee on 26 September 2014.

Yours sincerely

Cllr. M. Rayner
Chair of the Audit and Standards Committee

B. Dawson CPFA
Chief Financial Officer

<u>Appendix to the Representation Letter of Chesterfield Borough Council: Definitions</u>

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.”.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> “Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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FOR PUBLICATION

TREASURY MANAGEMENT ANNUAL REPORT 2013/14 AND MONITORING REPORT 2014/15 (J070R)

MEETING:	(1)	DEPUTY LEADER AND EXECUTIVE MEMBER FOR PLANNING
	(2)	CABINET
	(3)	STANDARDS & AUDIT COMMITTEE
	(4)	COUNCIL
DATE:	(1)	16TH SEPTEMBER 2014
	(2)	23RD SEPTEMBER 2014
	(3)	26TH SEPTEMBER 2014
	(4)	15TH OCTOBER 2014
REPORT BY:	HEAD OF FINANCE	
WARD:	ALL	
FORUM	ALL	
KEY DECISION REF:	402	

FOR PUBLICATION

BACKGROUND PAPERS
Local Government Act 2003, CIPFA Prudential Code & Guidance, Accountancy Services' final accounts working papers.

1. PURPOSE OF REPORT

1.1 To consider the Annual Treasury Management Report for 2013/14.

1.2 To consider the Treasury Management activities for the first five months of 2014/15.

2. RECOMMENDATIONS

2.1 That the **Council** is recommended to:

(i) Note the outturn Prudential Indicators for 2013/14;
(ii) Note the treasury management stewardship report for 2013/14;

(iii) Note the treasury management position for the first five months of 2014/15;
(iv) Approve the proposed changes to the investment arrangements and limits (Section 6);
(v) Note the new contract for provision of banking services.

2.2 That the **Cabinet** considers the report and recommends it, with any proposed changes, to the full Council for approval.

2.3 That **Standards and Audit Committee** scrutinizes the report and proposes any changes to the full Council.

3. BACKGROUND

3.1 The Council's Treasury Management Strategy requires the full Council to receive three treasury reports each financial year; the Strategy report before the start of each financial year, an annual report for the previous financial year and a mid-year review for the current year.

3.2 The Annual Report for 2013/14 is attached at Annexe 1. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

3.3 Following the Icelandic banks collapse in 2008 the regulatory framework places a much greater emphasis on the review and scrutiny by Members of treasury management activities. The attached report provides details of the treasury management activities in 2013/14 and confirms compliance with the Council's approved policies. The report will also be scrutinised by the Standards and Audit Committee prior to consideration by the full Council.

4. SUMMARY OF THE ANNUAL REPORT

4.1 During 2013/14, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2012/13 Actual £'000	2013/14 Revised £'000	**2013/14 Actual £'000**
Actual capital expenditure	19,950	21,996	**19,197**
Capital Financing Requirement:			
- General Fund	8,357	10,037	**10,660**
- HRA	142,680	140,540	**140,540**
- Total	151,037	150,577	**151,200**
External debt	146,742	144,785	**144,967**
Investments – under 1 year 1 year and above	24,219 -	23,701 -	**19,962** **3,160**
Net borrowing	122,523	121,084	**121,845**

4.2 Other prudential and treasury indicators are to be found in Annexe 1. The Head of Finance also confirms that borrowing over the medium term is only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit), was not breached in 2013/14.

4.3 The financial year 2013/14 continued the challenging environment of low investment return. There was a large differential between borrowing and investments rates during the year.

4.4 In the performance monitoring report for the quarter ended 31st March 2014 Capita commented on Investec's performance as follows:

"Overall performance for the financial year was weak compared to the benchmark and the rest of the industry, due primarily to the Manager's ill-timed transactions in the gilt market in mid 2013. Although accounting for 15% of the overall portfolio, the impact of adverse price movements on overall performance has been material. The coming year is expected to see yields rise moderately, which is likely to keep future money market transactions short dated. Therefore it will be the relative quarterly performance of the gilt holding that will have a key bearing on overall performance."

4.5 No new long term borrowing was undertaken in 2013/14.

4.6 Repayments of £2m were made during the year.

5. 2014/15 MID YEAR REVIEW

5.1 Annual Investment Strategy

In accordance with the Cipfa Code and the Council's Investment Strategy, the investment priority is to ensure security and liquidity of capital, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate with the Bank Rate at just 0.5% investment returns are at a historically low level. The continuing uncertainty of any economic recovery and the geo-political uncertainties, prompts a low risk and short term strategy. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31.08.2014.

5.2 Internally Managed Cash Balance

In the first quarter of the year the interest rates achieved were in line with those assumed when setting the budget at 0.69%. The net average internal investment balance has been higher than the assumptions in the original budget and the net internal investment returns are forecast to be £9,000 above the original budget target for the year.

5.3 Performance of External Fund Manager

During the first quarter of the year, Investec did not take advantage of rising prices to trade in the gilt market, taking the view that trading in a volatile market, especially one which is heavily influenced by unpredictable geopolitical factors, can leave the Fund vulnerable to mistiming and the potential for negative returns.

The Fund's strategy of keeping a significant proportion of the portfolio invested in short dated CDs remains unchanged. The benefits of this approach are security, in that issuers of CDs have strong credit ratings, and liquidity, through the use of three month maturity dates.

The manager's passive approach to money market instruments will provide a stable, but unspectacular performance, with any material deviation coming from fixed income holdings.

Performance was on a par with the industry average. Considering the market conditions, it is unsurprising that the Fund has stuck to its strategy of mostly dealing in short dated products. CDs are likely to prove a reliable but modest source of income over the next quarter given their high security and fixed interest rate terms.

It is likely that performance of the gilt in the portfolio will determine the future success or otherwise of the Fund's performance.

The gross return achieved to the end of August was 0.37%, compared to the pro-rata budget target for the period of 0.28%. The target for the full year is 0.67%.

5.4 No new long term borrowing has been undertaken in the year to date.

5.5 Repayments of principal of £427k have been made during the year.

5.6 No debt rescheduling was undertaken to date.

5.7 Compliance with Treasury & Prudential Limits

In the first part of the financial year the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

The main Prudential Indicators relating to borrowing are:

- Authorised Borrowing Limit – the limit for the year was set at £155.5m, the limit has not been breached.
- Operational Boundary – this was set at £144.8m for the year, again the limit has not been breached.

6. INVESTMENT FUND OPTIONS

6.1 Officers have consulted with our Treasury Advisors, Capita, about the investment options available to the Council. Capita have undertaken a similar exercise with a number of their local authority clients. In the current market conditions, with very low investment returns, many external fund managers including Investec are finding it difficult to add value. The external managers, however, do provide a degree of security given their professional expertise and their access to highly rated financial instruments and institutions.

Nevertheless, it is felt that the Council should be able to secure equivalent or higher returns whilst maintaining a satisfactory level of security, by managing more funds in-house. This will require additional staffing resources and increased flexibility for the in-house operation.

The staffing issue is currently being addressed as part of a restructuring of the Accountancy Team, which should be formally reported and approved during the next few weeks.

The in-house team will also require increased flexibility in terms of amounts that they can invest and the range of financial instruments they can use. In anticipation of this change, authority is sought within this report to:

a) Increase the counterparty limits for the UK part nationalised banks as follows:

- Individual counterparty limit to £7.5m (previously £5m)
- Banking Group Limit to £10m (previously £7.5m)

Counterparty selection will continue to be based on the Council's Treasury Adviser's model and taking other market intelligence in to account.

b) Permit the in-house team to use all of the Specified and Non-Specified Investments currently shown in the Treasury Management Strategy Statement as being available only to the External Fund Manager. This will involve the use of specialist brokers and Custodian facilities for certain instruments.

Given the need to first establish an in-house team it is proposed that the transfer of funds from the External Fund Manager to the in-house team will take place on a phased basis as individual investments in the external fund reach maturity. Keeping a relationship open with the external fund manager will also allow some flexibility to increase their involvement if market conditions change sufficiently for them to be able to undertake some tactical trading and add value to the potential investment returns.

6.2 A further investment option currently being explored is the use of Property Funds. Property Fund investments should be seen as a medium to long term investment (i.e. greater than 5 years) to take advantage of the capital growth potential and to avoid the liquidity risk i.e need to avoid having to call the money back during a property slump. The potential returns, however, over the longer term can be attractive. Capita will undertake a review of the various funds available. A report will then be prepared recommending a fund or range of funds to be included in the list of Approved Non-Specified Investments.

7. BANKING CONTRACT

7.1 The current banking contract is with the Co-op Bank and ends on March 31st, 2016. As previously reported, The Co-op has announced its decision to withdraw from the local authority market.

7.2 To attain a more competitive price and to reduce the burden of tendering this service, the Council took part in a joint procurement exercise for banking services with 4 other Derbyshire authorities. The contract is for 7 years with an option to extend for up to 10 years.

7.3 Three tenders were received on 15th August 2014. These tenders have been evaluated and a decision has been made to award the contract to Bank A(tbc). It is anticipated that the change of bankers will commence in Summer 2015.

7.4 The tender price is in line with the current budget provision.

8. RECOMMENDATIONS

8.1 That the **Council** is recommended to:

(i) Note the outturn Prudential Indicators for 2013/14;
(ii) Note the treasury management stewardship report for 2013/14;
(iii) Note the treasury management position for the first five months of 2014/15;
(iv) Approve the proposed changes to the investment arrangements and limits (Section 6);
(v) Note the new contract for provision of banking services.

8.2 That the **Cabinet** considers the report and recommends it, with any proposed changes, to the full Council for approval.

8.3 That **Standards and Audit Committee** scrutinizes the report and proposes any changes to the full Council.

9. REASON FOR RECOMMENDATION

8.1 To comply with the Council's Treasury Management Policy and Practices, the CIPFA Code of Practice on Treasury Management (2009) and the CIPFA Prudential Code for Capital Finance in Local Authorities (2009).

B DAWSON
HEAD OF FINANCE

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no officer recommendation. Signed: Executive Member Date: 16.09.14 Consultee Executive Member/Support Member comments (if applicable) /declaration of interests.

Further information on this matter can be obtained from
Barry Dawson, Head of Finance Services (ext. 5451).

Annual Treasury Management Review 2013/14

Annual Treasury Management Review 2013/14

1. Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2013/14 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 28/02/2013)
- a mid-year (minimum) treasury update report (Council 16/10/2013)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Standards & Audit Committee before they were reported to the full Council.

2. The Economy and Interest Rates

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 4.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

3. Overall Treasury Position as at 31 March 2014

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2013/14 the Council's treasury position was as follows:

TABLE 1	31 March 2013 Principal £000	Rate/ Return %	Average Life years	31 March 2014 Principal £000	Rate/ Return %	Average Life years
General Fund:						
Long term debt	**4,638**	**6.39**	**10.3**	**4,298**	**6.21**	**10.1**
CFR	**8,357**			**10,660**		
Over / (under) borrowing	**(3,719)**			**(6,362)**		
Short term debt	**4,000**	**0.39**		**5,060**	**0.39**	
HRA:						
Long term debt	**138,104**	**3.99**	**24.4**	**135,609**	**3.92**	**23.8**
CFR	**142,680**			**140,540**		
Over / (under) borrowing	**(4,576)**			**(4,931)**		
Total investments	**24,219**	**1.18**		**23,122**	**0.34**	
Net debt	**122,523**			**121,845**		

4. The Strategy for 2013/14

The Council's overall core borrowing strategy is as follows:-

- To reduce the revenue costs of debt
- To manage the Council's debt maturity profile, leaving no one future year with a high level of repayments that might cause problems in re-borrowing
- To secure funding at the cheapest cost commensurate with future risk
- To reschedule debt in order to take advantage of potential savings as interest rates change. Any reschedule exercise will be considered in terms of the premiums and discounts on the General Fund and HRA.
- To manage the day to day cash flow of the Authority in order to, where possible, negate the need for short term borrowing.

The Head of Finance will take the most appropriate form of borrowing depending on prevailing interest rates at the time. It is likely that short term fixed rates may provide lower cost opportunities in the short/medium term.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and offset the expected fall in investment returns.

5. The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2013/14 and prior years' net or unfinanced capital expenditure that has not yet been charged to revenue or other resources.

Part of the Council's treasury activities is to address the funding requirement for this borrowing need. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

The General Fund element of the CFR is reduced each year by a statutory revenue charge.

The total CFR can also be reduced by:

- The application of additional capital financing resources (such as capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP)

CFR: General Fund	31 March 2013 Actual £000	31 March 2014 Revised £000	31 March 2014 Actual £000
Opening balance	7,848	8,357	8,357
Add unfinanced capital expenditure	1,022	1,998	2,620
Less MRP/VRP	(513)	(318)	(317)
Closing balance	8,357	10,037	10,660

CFR: HRA	31 March 2013 Actual £000	31 March 2014 Revised £000	31 March 2014 Actual £000
Opening balance	142,680	142,680	142,680
Add unfinanced capital expenditure	-	-	-
Less MRP/VRP	-	(2,140)	(2,140)
Closing balance	142,680	140,540	140,540

6. Borrowing Outturn for 2013/14

Borrowing – There was no new long term borrowing during the year.

Rescheduling - No rescheduling was undertaken during the year.

Repayments – Repayments of £2m were made in the year.

Interest payable on borrowing	2012/13 Actual £000	2013/14 Revised £000	2013/14 Actual £000
General Fund	399	523	541
HRA	5,513	5,438	5,440

7. Investment Outturn for 2013/14

Investment Policy – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 28th February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

Investments held by the Council - the Council maintained an average balance of £4.05m of internally managed funds. The internally managed funds earned an average rate of return of 0.94%. The comparable performance indicator is the average 7-day LIBID rate (uncompounded), which was 0.354%. This compares with a budget assumption of £3.7m investment balances earning an average rate of 0.97%.

Investments held by fund managers – the Council uses Investec Asset Management as external fund managers to invest part of its cash balances. The performance indicator is the average 7 day LIBID rate (compounded). The performance of the managers against the benchmark return was:

Fund Manager	Investments Held	Return	Benchmark*
Investec	£21.7m	0.226%	0.356%

This compares with a budget assumption of average investment balances of £21.7m at 0.32% investment return. Performance during the year has been disappointing compared to the benchmark and the rest of the industry. A review of the Council's investment arrangements is currently being undertaken by the Head of Finance.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2012/13	2013/14	2013/14
	actual	**revised**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
General fund	3,739	6,609	6,458
HRA	16,211	15,387	12,739
TOTAL	19,950	21,996	19,197
Ratio of financing costs to net revenue stream			
General Fund	3.23%	4.50%	4.65%
HRA	16.19%	15.43%	15.31%
Gross borrowing requirement General Fund			
brought forward 1 April	11,376	8,638	8,638
carried forward 31 March	8,638	8,176	9,358
in year borrowing requirement	(2,738)	(462)	720
Gross borrowing requirement HRA			
brought forward 1 April	139,467	138,104	138,104
carried forward 31 March	138,104	136,609	135,609
in year borrowing requirement	(1,363)	(1,495)	(2,495)
Gross debt	146,742	144,785	144,967
CFR			
General Fund	8,357	10,037	10,660
HRA	142,680	140,540	140,540
TOTAL	151,037	150,577	151,200
Annual change in Cap. Financing Requirement			
General Fund	509	1,680	2,303
HRA	-	(2,140)	(2,140)
TOTAL	509	(460)	163

2. TREASURY MANAGEMENT INDICATORS	2012/13	2013/14	2013/14
	actual	revised	actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
borrowing	162,000	161,500	161,500
other long term liabilities	-	-	-
TOTAL	162,000	161,500	161,500
Operational Boundary for external debt -			
borrowing	150,850	150,250	150,250
other long term liabilities	-	-	-
TOTAL	150,850	150,250	150,250
Maximum external debt during year	150,843	-	150,241
Actual external debt as at 31st March	146,742	144,785	144,967
Maximum HRA debt limit	138,104	136,609	135,609
Upper limit for fixed interest rate exposure	50% - 100%	50% - 100%	50% - 100%
Upper limit for variable rate exposure	0% – 50%	0% – 50%	0% – 50%
Upper limit for total principal sums invested for over 364 days (per maturity date)	25%	25%	25%

Maturity structure of fixed rate borrowing during 2013/14	upper limit	lower limit
under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	75%	5%
10 years and above	95%	25%

The maturity structure of the debt portfolio was as follows:

	31 March 2013 Actual £000	31 March 2014 Actual £000
Under 12 months	2,836	1,861
12 months and within 24 months	1,861	2,887
24 months and within 5 years	6,743	5,823
5 years and within 10 years	10,783	11,817
10 years and above	120,519	117,519

The maturity structure of the investment portfolio was as follows:

	2012/13 Actual £000	2013/14 Actual £000
Less than one year	24,219	19,962
Over 1 year	-	3,160
Total	24,219	23,122

FOR PUBLICATION

SUMMARY OF INTERNAL AUDIT REPORTS ISSUED

MEETING:	**STANDARDS AND AUDIT COMMITTEE**
DATE:	**26TH SEPTEMBER 2014**
REPORT BY:	**INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM**
WARD:	**ALL**
COMMUNITY ASSEMBLIES:	**ALL**
KEY DECISION REFERENCE (IF APPLICABLE):	

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: LOCATION:

1.0 **PURPOSE OF REPORT**

1.1 To present for members' information a summary of Internal Audit Reports issued during the period 7th June 2014 – 5th September 2014 in respect of reports issued relating to the 2014/15 internal audit plan.

2.0 **RECOMENDATION**

2.1 That the report be noted.

3.0 **BACKGROUND**

3.1 At the meeting of the Standards Committee held on the 14th February 2003 it was agreed that a regular report be submitted to Members summarising internal audit reports issued.

3.2 In preparing this report, no standard corporate issues (e.g. risk management, equalities) were considered relevant.

4.0 SUMMARY OF REPORTS ISSUED

4.1 Attached, as Appendix 1, is a summary of reports issued covering the period 7th June 2014 to 5th September 2014, for audits included in the 2014/15 internal audit plan.

4.2 The Appendix also shows for each report a summary of the scope and objectives of the audit, the overall conclusion of the audit and the number of recommendations made / agreed where a full response has been received.

4.3 The conclusion column of Appendix 1 gives an overall assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

4.4 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee’s attention.

5.0 RECOMMENDATION

5.1 That the report be noted.

6.0 **REASON FOR RECOMMENDATION**

6.1 To inform Members of the internal audit reports issued.

JENNY WILLIAMS
INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

Further information on this report can be obtained from Jenny Williams (Extension 5468)

Appendix 1

Chesterfield Borough Council – Internal Audit Consortium

Report to Standards and Audit Committee

Summary of Internal Audit Reports Issued 2014/15 – Period 7th June 2014 – 5th September 2014

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
5	Council Tax	To review the controls and procedures in place	Marginal	2/07/2014	23/07/2014	23/07/2014	9	9 *
6	Transport Code of Practice	To review compliance with the Transport Code of Practice	Marginal	4/07/2014	25/07/2014		4	**
7	Collection and Deposit Book Independent Checks	To ensure that independent checks on the collection and deposit book are undertaken	Good	16/07/2014	7/08/2014	N/A	0	0
8	Cash and Banking	To review the controls and procedures in place	Good	16/07/2014	7/08/2014	N/A	0	0
9	Dunston Innovation Centre	To review the controls in place in respect of tenancy agreements, arrears, rechargeable services etc	Good	18/07/2014	8/08/2014	26/08/2014	1	1

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
10	Tapton Innovation Centre	To review the controls in place in respect of tenancy agreements, arrears, rechargeable services etc	Good	18/07/2014	8/08/2014	N/A	0	0
11	Council House Sales	To ensure that sales are undertaken in compliance with Legislation etc	Satisfactory	28/07/2014	18/08/2014	4/09/2014	1	1
12	Non Domestic Rates	To review and assess the controls and procedures in place	Satisfactory	6/08/2014	27/08/2014	11/09/2014 - Extension Granted	3	3
13	Bank Reconciliation	To ensure that the bank reconciliation is completed in a timely and accurate fashion	Good	14/08/2014	3/09/2014	26/09/2014	1	1
14	Visitor Information Centre	To review the policies and procedures in place	Good	14/08/2014	3/09/2014	1/09/2014	1	1

* Council Tax – The recommendations arising were in respect of :-

- The void inspection cycle is currently at 24 weeks when the target is 20 weeks which has already been amended from 16 weeks in August 13
- All “old cases” which are currently at committal warning letter/awaiting committal hearing/committal stage need to be reviewed and a clear policy on recovery action to be determined e.g charging orders/bankruptcy
- Cases in the court boxes require review
- Arrangement monitoring should be resumed
- The regular monitoring of accounts on “stop” code should be resumed

** Transport Code of Practice – It was found that the Transport Code of Practice is not always being adhered to in terms of checking drivers licences, insurance documents and MOT certificates (mainly grey fleet)

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 8

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By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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