



Please ask for Joel Hammond-Gant
Direct Line: 01246 34 5273
Email committee.services@chesterfield.gov.uk

The Chair and Members of Standards
and Audit Committee

13 September 2017

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 20 SEPTEMBER 2017 at 2.00 pm in Committee Room 2, Town Hall, Rose Hill, Chesterfield, S40 1LP, 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 (Pages 3 - 10)

Minutes of the meeting of the Standards and Audit Committee held on 24 May, 2017.

4. Audit Report on 2016/17 Statement of Accounts (Pages 11 - 188)
5. Treasury Management Annual Report 16/17 & Monitoring Report 2017/18

- *Report to follow*

6. 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 3 of Part 1 of Schedule 12A of the Act".

7. Summary of Internal Audit Reports Issued 2017/18 (Pages 189 - 254)

8. Local Government Act 1972 - Re-admission of the Public

After the consideration of an item containing exempt information that the public be re-admitted to the meeting.

9. Outstanding Internal Audit Recommendations (Pages 255 - 272)

10. Constitution Updates (Pages 273 - 288)

11. Audit Committee Self-Assessment and Action Plan (Pages 289 - 302)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R. Smith', written in a cursive style.

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE**Wednesday, 24th May, 2017**

Present:-

Councillor Rayner (Chair)

Councillors A Diouf
Caulfield
DerbyshireCouncillors Hollingworth
Tidd

*Matters dealt with under the Delegation Scheme

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

No declarations of interest were received.

2 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Bean.

3 MINUTES**RESOLVED -**

That the minutes of the Standards and Audit Committee meeting held on 5 April, 2017 be approved as a true record.

4 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2016/2017

The Internal Audit Consortium Manager presented the Internal Audit Consortium Annual Report in respect of Chesterfield Borough Council for 2016/17.

The report covered:

- a summary of the internal audit work undertaken during 2016/17 – 29 reports completed, with 69% receiving a 'good' or 'satisfactory' opinion, compared to 84% the previous year;

- an opinion on the overall adequacy and effectiveness of the Council's control environment, which was generally found to be operating satisfactorily or well, although there had been 'marginal' opinions in respect of three of the main financial systems;
- any issues for inclusion in the Annual Governance statement – data protection, non-housing property repairs, ICT network security and health and safety had been included as significant governance issues;
- a comparison of actual work undertaken with planned work – 91% of planned audits had been completed, with reasons provided for the three audit reports outstanding;
- comments on compliance with the Public Sector Internal Audit Standards (PSIAS) and on the results of the quality assurance programme – a self-assessment and an external review had both confirmed that there were no significant areas of non-compliance with PSIAS, and a progress report on the action plan for improvements arising from the external review was attached to the report as an appendix;
- comments on the outcome of the internal quality assurance programme, including the use of individual audit reviews, customer satisfaction surveys (with an average score of 95%) and surveying the views of the client officer (with a score of 97%);
- confirmation of the organisational independence of internal audit;
- confirmation that the performance of the Internal Audit Consortium had met the requirements of the current Internal Audit Charter.

It was noted that the Corporate Management Team (CMT) received regular reports on outstanding audit recommendations, and that these were reported to the Standards and Audit Committee six-monthly. In addition, where an audit report reached an 'unsatisfactory' opinion, managers were required to attend the Committee to report progress on the implementation of recommendations.

***RESOLVED –**

- (1) That the Internal Audit Consortium Annual Report for 2016/17 be accepted.
- (2) That the progress made in respect of implementing the action plan from the external review of the Internal Audit Consortium be noted.

5 REVIEW OF CODE OF CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

The Internal Audit Consortium Manager presented a report to review compliance with the Code of Corporate Governance requirements during 2016/17 and to present the Annual Governance Statement and associated action plan.

The report, the Annual Review of the Local Code of Corporate Governance and the Annual Governance Statement and Action Plan had been approved by the Council's Cabinet for consideration by the Standards and Audit Committee.

The report gave details of:

- The review by the Corporate Management Team of the Council's position against the key elements of an authority's governance arrangements as identified by the CIPFA / SOLACE 'Delivering Good Governance in Local Government: Framework (2016)' (attached as an appendix to the report);
- The Annual Review of compliance with the Code of Corporate Governance requirements for 2016/17 (attached as an appendix to the report), showing that compliance had largely been achieved, with those areas of partial or no compliance being addressed in the Annual Governance Statement Action Plan;
- The Annual Governance Statement and associated Action Plan (attached as appendices to the report) – indicating that many of the Council's processes and procedures were compliant with good practice and identifying in the action plan areas where internal controls could be improved, including those issues of most significance which had been included in the Annual Governance Statement.

***RESOLVED -**

- (1) That the Annual Governance Statement and Action Plan be approved.
- (2) That it be recommended that the Annual Governance Statement be signed by the Leader and Chief Executive.
- (3) That a review of the Code of Corporate Governance be undertaken in 12 months' time.
- (4) That progress on the Action Plan be monitored by the Corporate Management Team.

6 PROGRESS REPORTS ON OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

Pursuant to Minute No. 48 (Standards and Audit Committee 2016/17), the Customer, Commissioning & Change Manager reported progress on the outstanding audit recommendations in respect of procurement, data protection and FOI procedures and IT security.

Online training on procurement was being made available for staff, with priority being given to those staff involved in procurements in the near future. A checklist for sign-off of all procurements by a CMT level manager was being developed. Training for Members was being developed. Work was continuing to publish a contracts register on the Council's website for all procurements over £5,000. The possibility of the Shared Procurement Service dealing with all procurements over £1,000 was being considered.

Arising from Members' questions it was confirmed that using the Shared Procurement Service provided the Council with additional procurement expertise and that any risks of not having in-house specialists were mitigated by the service specification.

An Information Assurance Manager had been appointed, and online training on data protection had been completed by 59% of staff at the end of April. Use of the Information Assets Register would enable all IT systems and assets to be tracked. The Data Protection Policy had been

updated, which was now subject of consultation, with the aim of having it approved in June.

Arising from Members' questions it was confirmed that the online training automatically triggered annual refresher training for staff. Service managers were considering how to ensure all staff were able to complete the training, and the effectiveness of the training would be reviewed as well as considering other awareness raising activities on data protection. The Customer, Commissioning & Change Manager agreed to provide further detail to members of the Committee on the proportion of staff having completed the online data protection training by service area.

Online training on freedom of information (FOI) had been completed by 50% of staff at the end of April.

ICT policies had been reviewed and updated and work was continuing with Arvato to ensure improved IT security, including consideration of revisions to the service contract to ensure system vulnerability was adequately controlled. It was noted that the Council had engaged independent consultants to review its arrangements for managing IT and that the findings and recommendations would be considered by Cabinet.

Members requested that progress on the implementation of the audit recommendations in respect of IT security be reported to a future meeting of the Committee.

Pursuant to Minute No. 48 (Standards and Audit Committee 2016/17), the Director of Finance and Resources reported progress in respect of the outstanding audit recommendations on non-housing property repairs.

Agreement had been reached with Kier to undertake property condition surveys, starting with the largest properties, and to develop 10 year maintenance plans. The Senior Leadership Team would then consider options for the funding and prioritising of the maintenance plans.

Pursuant to Minute No. 49 (Standards and Audit Committee 2016/17), it was reported that all Careline staff in the Falls Response Team, involved in manual handling of people, had received appropriate manual handling training. Members requested that the Health and Wellbeing Manager attend the next meeting of the Committee in September to report progress on the implementation of the audit recommendations on health and safety.

*** RESOLVED –**

- (1) That the progress reports be noted.
- (2) That progress on the implementation of the audit recommendations in respect of IT security be reported to a future meeting of the Committee.
- (3) That the Health and Wellbeing Manager be requested to attend the next meeting of the Committee in September to report progress on the implementation of the audit recommendations on health and safety.

7 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC*** RESOLVED –**

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 involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

8 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED 2016/17 - MAY 2017

The Internal Audit Consortium Manager presented a report summarising the Internal Audit reports issued during the period 14 January – 5 May, 2017 in respect of reports relating to the 2016/17 internal audit plan.

The Committee noted that the classification of the reliability of internal controls was 'good' in two cases and 'marginal' in three cases (Payroll, Accounts Payable and Housing Repairs). No issues in respect of fraud had been identified.

Pursuant to Minute No. 4 (Standards and Audit Committee 2016/17), copies of the marginal reports in respect of Payroll, Accounts Payable and Housing Repairs were attached to the report, including an implementation schedule for the recommendations in each area. It was noted that the Corporate Management Team (CMT) was monitoring the implementation of the recommendations.

It was noted that progression of the Construction Industry Solutions (COINS) software system designed for Housing Repairs was being reviewed to assess the current spend and progress against the original budgets and forecasted functionality. In response to Members' questions it was confirmed that CMT was reviewing the processes for the purchasing of software systems.

*** RESOLVED –**

That the report be noted.

This page is intentionally left blank

For publication

Audit Report on the 2016/17 Statement of Accounts

For publication

Meeting: Standards & Audit Committee

Date: 20th September 2017

Report by: Director of Finance & Resources

1.0 Purpose of report

1.1 To approve the Statement of Accounts for 2016/17.

1.2 To approve the 'Letter of Representation'.

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

2.0 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 2016/17 on the 27th 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 £100k reconciles to the Statement of Accounts as follows:

	£'000
Surplus in the year per 27th June report	100
Transfers to earmarked reserves	(100)
Net surplus/(deficit) in the year per SoA	-
General Fund Balance as at 1/4/16	1,500
General Fund Balance as at 31/3/17	1,500

The main reasons for the surplus are set out in Appendix B of the 27th 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.
- 3.0 **Audited Statement of Accounts 2016/17**
- 3.1 Following the audit of the accounts a small number of presentational 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 2017.
- 3.2 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2016/17 except

for the introduction of the 'Expenditure & Funding Analysis' which shows how annual expenditure is spent and funded and how it is split for decision making purposes between the Cabinet portfolios (SoA page 22).

The key statements are explained below.

3.3 Movement in Reserves Statement (SoA page 24) – 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 £39.9m at 31st March 2017 (page 24) are provided in Note 11 (page 54) and Note 44 (page 88). For example, the main elements of the Earmarked General Fund Reserves total of £8.5m include £1.7m capital reserves, £0.6m in the Service Improvement Reserve, £0.4m in the Budget Risk Reserve, £0.5m in the Business Rates Reserve and £0.4m in the Deficit Reduction Reserve.
- **Unusable reserves** generally arise from statutory accounting adjustments and cannot be used to support service delivery. Details of the total unusable reserves of £264.8m at 31st March 2017 are shown in Note 45 (page 89). For example, the Capital Adjustment Account (£303.0m) 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 47). The Pension Reserve (negative £63.7m, Notes 45 and 49) 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 26) 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. In previous years, for consistency and comparability between authorities the service analysis was based on a standard form. From 2016/17, the service analysis is presented to reflect the way that budgets are managed by an authority and are therefore shown in the usual portfolio format that members will be familiar with.

3.5 **Balance Sheet** (SoA page 28) – 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 £481.0m. 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 46).
 - ⇒ Current assets and liabilities represent short-term amounts to be consumed, paid or received in the short-term.
 - ⇒ Long term borrowing £131.6m represents the money borrowed to finance capital expenditure over many years.
 - ⇒ Long Term Provisions £2.8m 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 £0.7m) have confirmed that the balances are adequate. Long-term provisions also include an amount of £1.1m for the Council’s share of successful rating appeals for Non Domestic Rates.
 - ⇒ Pensions - shows an estimated liability of £63.7m, which will have to be addressed in future re-assessments of employer contributions.
- 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 £39.9m – includes capital reserves (£1.7m), earmarked revenue reserves (£6.8m), General Fund balance

(£1.5m), HRA balance (£22.0m) and Capital Receipts balance (£3.5m).

⇒ Unusable Reserves (£264.8m) – these are statutory accounting adjustment accounts which are not available to the authority to finance services. Note 45 provides a breakdown and shows that the Revaluation Reserve increased by £6.9m, the Capital Adjustment Account increased by £55.2m and the negative Pensions Reserve increased by £2.7m.

3.6 **Cash Flow Statement** (SoA page 29) - summarises the inflows and outflows of cash on all the Council's activities.

3.7 **Housing Revenue Account** (SoA page 100) - 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 £4.461m in the year which when added to the balance brought forward gives a balance carried forward of £25.0m. A healthy working balance is required to help finance pressures identified in the medium term business plan, notably the requirement to improve and maintain dwellings to the 'Decent Homes Standard'. Other key points to note include:

- ◆ The loss of rent due to vacant properties at 2.45% (Note 1);
- ◆ The number of dwellings fell to 9,345 by the end of the year, 103 properties were sold under the Right to Buy Scheme (Note 2);
- ◆ Rent arrears reduced to £2.3m but a provision to cover the possible eventual write-off of £1.3m or 54% of these debts has been made.

3.8 **Collection Fund** (SoA page 106) - this account shows the amounts due from local council taxpayers and how these are distributed to the authorities in the area - £45.2m is collected but only £4.6m (10.41%) is for the Borough Council's services. The account also shows the amounts due from business ratepayers (£37.2m) and how this amount is distributed to other authorities in the area and central government – with only £14.9m (40.0%) for the Borough Council to retain to fund services.

3.9 **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 96) gives details of all contingent liabilities.

3.10 **Annual Governance Statement** – as considered by this Committee on 24th May 2017 is included in the SoA (pages 16-21).

4.0 **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.

5.0 **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.

6.0 **Recommendations**

6.1 That the Committee approves the Statement of Accounts for 2016/17.

6.2 That the Committee approves the Management Letter of Representation.

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

7.0 Reason for Recommendations

7.1 To comply with statutory requirements

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Helen Fox	01246 345452/helen.fox@chesterfield.gov.uk
Background documents	
None	
Appendices to the report	
Annexe 1	Statement of Accounts 2016/17
Annexe 2	Cabinet Outturn report 2016/17
Annexe 3	Final ISA 260 report 2016/17
Annexe 4	Management letter of representation 2016/17

This page is intentionally left blank



CHESTERFIELD
BOROUGH COUNCIL



Statement of Accounts
2016/17
(Subject to Audit)

CONTENTS

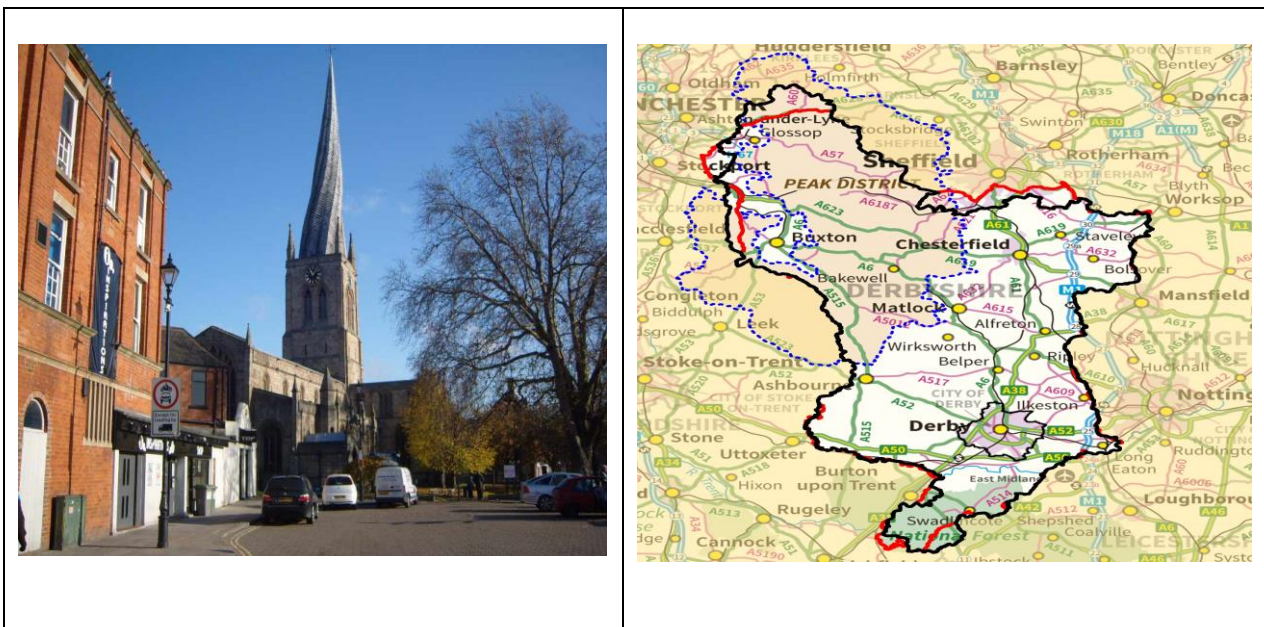
	<u>Pages</u>
Narrative Report	3 - 13
Introduction to the Statement of Accounts	14
Statement of Responsibilities	15
Annual Governance Statement	16 - 21
<u>Core Financial Statements:</u>	
Expenditure & Funding Analysis	22
Movement in Reserves Statement	23 - 24
Comprehensive Income & Expenditure Statement	25 - 26
Balance Sheet	27 - 28
Cash Flow Statement	29
Notes to the Core Financial Statements	30 - 98
Housing Revenue Account	99 – 105
The Collection Fund	106 - 110
Auditor's Report	111

NARRATIVE REPORT

AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL

Chesterfield Borough Council is one of eight second-tier authorities within the county of Derbyshire. It lies in the north eastern part of the county and covers an area of 66 square kilometres. Chesterfield is the second largest settlement in Derbyshire (Derby City is the largest).

The market town of Chesterfield acts as the sub-regional centre for North Eastern Derbyshire and provides a range of retail, commercial, leisure and cultural facilities. The town is well located on the edge of the Peak District National Park and benefits from easy access to the surrounding cities of Sheffield, Derby and Nottingham.



Chesterfield is a major centre of employment (over 48,000 people work in the Borough) and attracts almost 20,000 in-bound commuters on a daily basis. Its employment catchment area covers a large part of the surrounding districts of Bolsover and North East Derbyshire, as well as drawing in people from Derbyshire Dales and Sheffield.

According to the Office for National Statistics Mid-Year Estimates for 2014 reported that Chesterfield's estimated population was 104,288.

The demographic and economic profiles of the local population have a major influence on the priorities of the Council and the services it provides.

Economic Profile – a recent economic assessment tells us:

- With over 50,000 jobs, Chesterfield is a significant centre of employment, attracting over 21,000 daily commuters from surrounding areas, mainly North East Derbyshire, Bolsover, Sheffield and Derbyshire Dales. Chesterfield is the most important source of employment for Chesterfield residents with almost 31,000 (or 64%) working within the Borough's boundary.

- Chesterfield Town Centre is ranked as the 125th largest centre in the country for comparison retail shopping with a market potential of £186m and a shopper population of 105,000. Tourism makes an important and growing contribution to the local economy, with Chesterfield attracting 3.5m visitors in 2015 with an economic impact of £164m, directly supporting over 1,650 jobs.
- In 2016 there were 3,275 businesses based in Chesterfield. Over the five year period (2011-2016), the stock of businesses increased by 18%, behind the increase seen both regionally and nationally of 23%, but a relatively strong performance when compared to Chesterfield's low rate of employment growth.
- Unemployment currently stands at around 1.8% and has fallen significantly since peaking at over 9% in the early 1990s. The differential with the national rate has gradually narrowed in recent years and actually fell below the national rate for the first time in September 2015. Since that time the local rate has either been at, or just below, the national rate.
- The Indices of Deprivation (2015) ranks Chesterfield as the 85th most deprived district in the country (out of 327 districts) measured on a range of deprivation indicators. Chesterfield's relative position has worsened since 2010 when it was ranked 91st. Chesterfield has particular issues with the Health & Disability and Employment aspects of deprivation where it is ranked 25th and 43rd respectively on a national basis.

Political Structure in 2016/17 – the Council's policies are determined by its Politicians and implemented by the Management Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 7 May 2015 the Labour Party remained in control and the political make-up of the Council became:

	No. Councillors
Labour Party	38
Liberal Democrat Party	8
Independent	2
Total	48

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council (Councillor Tricia Gilby) has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny. The Overview and Performance Scrutiny Forum reviewed the Council's financial performance and budget position at regular intervals throughout the year.

Management Structure - The organisational management structure is headed by the Chief Executive Dr Huw Bowen. The Chief Executive was supported by the Senior Leadership Team, consisting of two Executive Directors and the Director of Finance and Resources. The Senior Team was in turn supported by six Service Managers, which together formed the Corporate Management Team.

Employees – the Council employed 705 full time equivalent staff as at the end of March 2017. The Council has developed a Workforce Strategy which recognises the value and importance of Council staff in delivering services and achieving the Council’s priorities.

NON-FINANCIAL PERFORMANCE

The key document that frames the actions of the Council is the four year Council Plan. The Council Plan sets out the Council’s Vision and Priorities, defining what we are trying to achieve and why.

The Council Plan is guided by the Council’s Vision which is “**Putting Our Communities First**”.

There are three corporate priorities that underpin the delivery of the Vision, they are:

1. To make Chesterfield a **thriving borough**.
2. To improve the **quality of life** for local people.
3. To provide **value for money** services

Council Plan 2016/17 Progress

Of the 56 key activities for delivery during 2016/17 forty three have been completed by year end (76%). A further nine activities are expected to be completed in the first half of 2017/18 having experienced delays due to external factors. Including these nine activities 93% of the 2016/17 activities remain on track for completion during the term of the Council Plan.

Key outputs and outcomes for 2016/17 include:

- Working with Sheffield City Region to facilitate business access to apprenticeships and workforce training via the Skills Bank programme to further reduce the number of young people not in education, employment or training. This activity has benefited 210 learners and has brought in a funding contribution of £161,345 so far. A further 48 businesses have skills deals in the pipeline to the value of £351,693 benefitting an additional 719 learners.
- We have firmly established the monthly Artisan market with an average uptake of 60 stalls, building from 40 stalls initially. This has resulted in an uplift of footfall on these Sundays to the town centre.
- The plan for the Northern Gateway site has been approved by the Council. This includes the delivery and works for a new multi-storey car park, provision of public realm works on Elder Way and a new enterprise centre on Holywell Cross. A funding bid has been submitted to Sheffield City Region and grant funding has been approved to support the development.
- Launching the Community Infrastructure Levy to help meet the infrastructure needs and priorities necessary for the sustainable development of Chesterfield. Potential CIL-liability on approved developments was approaching £900,000.
- Delivered over 2,400 improvements to tenant’s homes including new kitchens, bathrooms, roofs, wall insulation, rewires.
- During 2016/17 approximately £200,000 of assistance was made available to assist vulnerable home owners to stay in their homes and increase independent living.

- Over 90 events have been delivered or supported by CBC in parks and open spaces across the Borough and our parks have also benefited from support of hundreds of volunteer hours during the year. We estimate that over 17,000 people have been actively engaged in this programme of activity many of them children and young people.
- Developed a project management office which will increase the effectiveness and co-ordination of project management and allow us to prioritise resources for maximum benefit.
- Increased commercial trading to secure a profit to reinvest in council services this included achieving £84k of income from commercial building works.

Commitments for year 3 and 4 of the Council Plan

The revised Council Plan sets out key commitments to take us through year three and four to the end of the Council Plan. 38 key activities have been developed for delivery during 2017/18 and a further 23 activities for 2018/19. Progress towards these commitments will be monitored and challenged on a quarterly basis via the performance management framework. This includes progress reports for discussion at the Overview and Performance Scrutiny Forum.

Performance Management Framework

Further improvements to our performance management framework are being introduced for 2017/18. This includes the launch of a Finance, Performance and Strategic Projects Board to effectively challenge the Council's financial position and decision making, performance and make the key link to the Project Management Office to monitor and challenge strategic project delivery.

FINANCIAL PERFORMANCE 2016/17

Budget Process

Before the start of the 2016/17 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The principal funding sources to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rent income. The grant income from the Government and the retained business rates income represents 60% of the General Fund Budget requirement with the remaining 40% coming from the Council Tax. The principal rent income comes from the Council's extensive industrial & commercial property portfolio. Other sources of income include the Council's sports centres, theatre, car parks, planning and other services.

During 2016/17 the Council's finances were subject to:

- Government grant – a cut of £0.5m in the Revenue Support Grant.
- Retained Business Rates – introduced in 2013/14, the scheme allows the Council to share in the growth of this income from within its area which held up against budget. The estimated cost of backdated valuation appeals, however, does suppress the potential income growth.
- Fees, charges and rental income being kept under pressure by economic conditions.

- Council Tax –Government maintained control over any increase by requiring a referendum to be held for an increase of 2% or more. The Council approved a £5 increase in Council Tax for 2016/17 at £149.89 per annum for a Band ‘D’ property.
- 1% rent reductions on our HRA income.
- Savings and efficiencies through vacancy control, voluntary redundancies, service income strategies, asset rationalisation, business rates pooling and budgetary control.

The 2016/17 Council Budget was set at £10.5m and financed as follows:

	Amount £'000	Proportion of total
Government Funding (Revenue Support Grant, retained business rates and other grants)	6,253	60%
Council Tax	4,238	40%
Total Budget (after savings target)	10,491	100%

The budget for 2016/17 which was set in February 2016 showed a deficit of £1.3m before allowing for the planned savings target. A savings target of £1.029m was set leaving a balance of £236k to be financed from reserves or further savings. The savings were to be delivered partly through a business transformation programme titled “Great Place: Great Service”. The programme aims to deliver savings rolling on from prior years and in-year from a wide range of initiatives including reviews of the workforce and voluntary redundancies, asset rationalisation, increased income across services, strict budgetary control, customer service channels and the application of information technology. The Council has made progress across these areas in delivering savings in 2016/17 to balance the budget.

Revenue Budget Outturn

The position at the end of the year was a General Fund surplus of £100k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to £236k deficit budget for 2016/17 included:

- Increased income from business rates growth (+£117k);
 - Reduced costs in Leisure facilities e.g. Sports Centres/Theatre/Winding Wheel (+£252k);
 - Increased rental income from industrial/commercial and town centre properties (+£314k)
 - Net of all other variances (+£35k).
- Less:
- Housing benefits (-£167k);
 - Car park income (-£215k).

Set out below is a summary of the outturn for 2016/17 based on the ‘Portfolio’ structure which is used for internal management and reporting purposes.

Table: 2016/17 General Fund - Comparison of outturn with the original budget

	Original Budget £000	Actual £000	Variance £000
<u>Portfolios:</u>			
Deputy Leader of the Council	691	722	31
Cabinet Member for Economic Growth	(235)	(419)	(184)
Cabinet Member for Town Centre & Visitor Economy	(300)	(557)	(257)
Cabinet Member for Health and Wellbeing	7,956	6,964	(992)
Cabinet Member for Customers and Communities	2,025	2,011	(14)
Cabinet Member for Finance and Governance	3,629	3,705	76
Cabinet Member for Business Transformation	236	518	282
Portfolio Net Expenditure	14,002	12,944	(1,058)
Transformation Savings*	(1,029)	-	1,029
Direct Service Organisations (surplus)/deficit	(75)	(200)	(125)
Other - Non-Portfolio Expenditure/(Income)	(284)	(482)	(198)
Service Expenditure	12,614	12,262	(352)
Interest & Capital Charges	(2,058)	(1,428)	630
Transfer to/(from) Reserves	171	(319)	(490)
Surplus/(Deficit) to/(from) Budget Risk Reserve	(236)	100	336
Total Expenditure	10,491	10,615	124

* 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 £1.5m during 2016/17.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 24 and 26 presents this same information but in the format specified by the Code for external reporting purposes.

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,345 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 2016/17 is set out on pages 99 to 105 and shows an increase to the HRA balance of £4,506,521 due mainly to delayed starts on major schemes in the capital programme financed from revenue. These included new build housing, refurbishment of a sheltered housing scheme and estate improvement works.

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 (DSOs) during 2016/17 which generated a combined surplus of £502,426. Full reports on individual DSOs are separately produced and may be obtained from the Chief Accountant.

Capital Spending in 2016/17

A summary of the capital expenditure and financing is shown in Note 27 to the core financial statements (page 73).

Capital expenditure on General Fund services totalled £5.9m. The main projects included:

- ◆ Waterside development - £2.1m
- ◆ Peak Resort infrastructure - £0.8m
- ◆ Town Hall alterations - £0.3m
- ◆ Queens Park Sports Centre - £0.3m
- ◆ Demolition of old sports centre - £0.3m
- ◆ Car park improvements - £0.2m
- ◆ Pavements Centre refurbishment - £0.4m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £0.9m
- ◆ Innovation Centre Information Technology upgrade - £0.3m
- ◆ Flood Resilience - £0.2m
- ◆ Other - £0.1m

Assets sold in the year included: Sheffield Rd Fire Station and Newbold School.

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £4.1m in 2016/17. The remainder was financed from capital receipts from planned asset sales (£0.5m) and reserves (£1.3m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £12.9m of which £10.0m was financed from the Major Repairs Reserve and £2.9m from capital receipts.

Total long-term debt outstanding at the end of the year amounted to £131.6m. This should be viewed in relation to the Council's assets which have a net book value of £481m.

The approved capital programme for the next three years will be financed from increased prudential borrowing from the PWLB, earmarked reserves, anticipated capital receipts and grants.

Pension Costs

The Balance Sheet on page 28 shows the Pension Fund deficit as a Pension Reserve (£63.7m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities. A triennial revaluation of the Derbyshire County Council Local Government pension scheme was conducted in 2016/17. Note 18 sets out in more detail the comprehensive income and expenditure along with pension assets and liability details.

The pension deficit will be addressed in future re-valuations of the fund and by the revision of employers' contributions. Changes to the scheme were introduced in April 2014 which should make the scheme more affordable.

HRA and Balance Sheet Assets

Our non-current assets on page 28 and in Note 22 are reviewed and valued annually by our property advisors Kier. The Council Dwelling category of assets on the balance sheet have been revised this year to take into account the change to the factor used to convert the 'Open Market Value' of the housing stock to the 'Existing Use Value – Social Housing'. This factor is set by central government on a regional basis and for the East Midlands, the factor has increased from 34% to 42% with effect from 1st April 2016. This has increased the value of the council's dwellings on the balance sheet by £62.191m in 2016/17.

Reserves & Balances

The Council reserves are set out in Note 11 on page 53. Reserves moved downwards in some areas such as Property Improvement to fund refurbishment works at the Town Hall and Pavements Shopping Centre.

The Council has set money aside in a number of earmarked reserves to meet planned future commitments. The earmarked reserves include:

- £0.4m as a provision for significant revenue budget risks
- £0.3m in an Invest to Save fund and
- £0.6m in a Service Improvement Reserve.

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates which will be utilised in 2016/17 and 2017/18. The balance on this reserve is £0.5m.

The revenue working balance for the General Fund is £1.5m. The balance is prudently based on an assessment of the key income and expenditure risks facing the Council.

There is a balance of £25m on the Housing Revenue Account at the year-end which will be needed in future years to finance capital improvement works and to help offset some of the budget pressures caused by recent changes in the Government's Housing Policies e.g. the 1% rent reduction each year for four years from 2016/17.

Medium Term Outlook

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

The Local Government Grant Settlement following Councils submitting Efficiency Plans in October 2016 for a 4 year settlement were published in February 2017 providing final figures for 2017/18 and provisional figures for a further two years. The cut in the Council's Settlement Funding Assessment is a decline in Revenue Support Grant from £1.8m 2016/17 to £1.2m in 2017/18, £860k in 2018/19, £434k in 2019/20 and £0 by 2020/21.

In December 2016, following consultation the Government changed New Homes Bonus (NHB) funding rules by introducing a baseline, to build homes below which no NHB would be paid and reduced funding entitlement from 6 years in 2016/17 to 4 years from 2018/19. The result of these changes means the Council had to prudently assume income from NHB declines from £909k in 2016/17 to only £2k by £2020/21 which will have an impact on our future income.

Other principal sources of income Business Rates and Council Tax are projected to increase marginally over the next 4 years. The Governments proposals for 100% Business Rate retention have not been developed into our medium term plans until they become clear.

The 1% reduction in council house rents for 4 years from April 2016 has had an adverse impact on the HRA 30 year Business Plan. As a result of this reduction, and also the introduction of Universal Credit to all claimants of working age from November 2017, a Steering Group comprised of elected members, officers and tenants has been set up to consider the implications for the HRA 30 year Business Plan. In December 2016 they recommended a series of actions to mitigate the worsening financial position of the HRA. These included a reduced and rephased capital programme, reductions to the responsive repairs budget, changing to a 52 week rent year to match with the payment of Universal Credit and measures to reduce rental income lost whilst properties are void.

The Council's Medium Term Financial Plan 'budget' forecast produced in February 2017 shows a budget deficit of £209k in 2017/18 which peaks at £1.7m in 2020/21.

In order to deliver the required savings to meet the budget deficits, the Council has identified specific budget savings targets over the next two years and is reviewing a number of larger service contracts and spending areas for further savings.

In addition budgets are being tightly managed to control and reduce spend. The Council is also investing in capital assets to generate future income streams, developing its income from existing assets and investing in IT to deliver more efficient services.

The Council places a strong emphasis on economic growth in order to create a thriving Borough and to secure additional revenue for the Council through increasing the number of homes and businesses paying Council Tax and Business Rates respectively. There are a number of regeneration schemes that the Council is actively supporting to achieve this objective (e.g. Waterside, Northern Gateway and Peak Resort).

The Council is continuing to work in partnership with authorities in Derbyshire and the Sheffield City Region to maximise the amount of Business Rate income that is retained locally.

The forecasts produced in the Council's 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 easily quantified at this stage, including:

- a) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;
- b) Changes to the key Central Government funding sources such as the Business Rates Retention schemes; and
- c) Changes to the regional and national economy impacting on our trading income.

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

The Council does have an adequate level of reserves given the risks and investment needs it faces, but reserves are coming under increasing pressure and can only be used once. Further PWLB borrowing (alongside asset disposals) will be required to make capital and operational investments to transform services and grow new income sources. The focus will continue to be on reducing the base budget, by both reducing expenditure and increasing income.

Corporate Risks and Uncertainties

The Council has established procedures for managing risk. Operation level risks are managed at the service level through the service planning and monitoring arrangements. The higher level, corporate risks, which can impact on the Council's ability to deliver its strategic priorities, are managed through the Corporate Risk Register arrangements. The Corporate Risk Register is approved and monitored at the highest levels within the Council, by the Corporate Management Team, the Cabinet, the Standards & Audit Committee and the full Council. The key corporate risks include responding to the austerity agenda (delivering savings and producing a sustainable budget), current legislation (e.g. data protection, procurement, health and safety, safeguarding, etc.), new legislation (e.g. welfare reform and housing rents) and organisational issues (workforce development, information technology, and PSN, resources and regional partnership working).

Summary

In 2016/17 the Council made good progress in addressing the financial challenges it faced and in meeting its Council Plan targets.

The revenue outturn with a £100k surplus was only £5k below the revised forecast for the year. The current Capital Programme was resourced in the short term with only the planned level of prudential borrowing required. An adequate level of reserves has been maintained which will help to provide financial resilience for 2017/18 and future years.

The next few years will continue to be challenging but the Council is confident that it can meet these challenges. The Council has a good track record of responding to such challenges. There are risks, as highlighted above, but the Council has effective risk management processes in place. With robust financial management, an effective management team and the planned improvements in its performance management arrangements the Council will be in a strong position to meet the future challenges.

Further Information

If you would like to receive further information about these accounts please contact the Chief Accountant at the Town Hall, Rose Hill, Chesterfield, Derbyshire, S40 1LP. 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 on the Council's website.

Further information on non-financial performance data is available from the Policy and Communications Manager.

Acknowledgments

I would like to express my gratitude to all colleagues, from the Accountancy team and other services, which have assisted in the preparation of the Statement of Accounts and for their support during the financial year.

This Statement of Accounts provides the financial information for the year. A Council Plan has also been developed setting out the Council's priorities over a four year period. Copies of this document are available from council buildings and on our website.

**K HANLON BSc, FCCA, ACMA, GCMA, MBA
DIRECTOR OF FINANCE & RESOURCES**

**M. RAYNER
CHAIR OF STANDARDS AND AUDIT COMMITTEE**

INTRODUCTION TO THE STATEMENTS

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. The pages that follow are the Council's final accounts for 2016/17 and comprise:

Expenditure & Funding Analysis (EFA) – shows how annual expenditure is spent and funded and how it is split for decision making purposes between the council's portfolios.

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.

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.

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.

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 Director of Finance & Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance & Resources 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 Director of Finance & Resources 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.

DIRECTOR OF FINANCE'S CERTIFICATE

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2017.

**K HANLON BSc, FCCA, ACMA, GCMA, MBA
DIRECTOR OF FINANCE & RESOURCES**

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 and facilitating the effective exercise of its functions, 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 Framework 2016 edition*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 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 2017 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 Council Plan and Vision statement. The Council 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 Council's values 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 Council Plan is cascaded down through managers, meetings, service plans, team plans, budgets, the medium term financial plan and employee development reviews. This flow ensures that resources are utilised for the achievement of the Council Plan and vision.

The Council works with a number of partnerships to deliver its aims. 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. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking and monitoring budgets.

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. The overview and scrutiny committees 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 complaints, compliments 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 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 attends Corporate Management team meetings and is suitably qualified.

The Chief Financial Officer is professionally qualified and experienced to undertake their roles and responsibilities and is supported by an experienced and appropriately qualified finance team. 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 Chief Finance Officer ensures compliance with S151 requirements. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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 (PSIAS) and conforms to the requirements of the CIPFA statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team. The recent external review of internal audit confirmed that the team is compliant with the PSIAS.

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 an annual Community Engagement Programme.

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 Internal Audit Consortium Manager'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

- Assessment against the key elements of the governance framework
- Monitoring Officer reviews and monitors the operation of the Council's Constitution
- The Chief Executive, Executive Directors and Corporate Management Team monitoring the risks and the associated controls assigned to them
- The Chief Financial Officer (the Director of Finance and Resources) 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 Internal Audit Consortium manager. 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.

It can be demonstrated that on the whole the Council's governance arrangements support the council's corporate plan by the sheer volume of achievements. A few of these are:-

- Completing a £350,000 development of Eastwood park
- Refurbishing 5 children's play areas
- Publishing a draft new Local Plan
- Launching the Community infrastructure Levy
- Ensuring all our homes meet the Decent Homes Standard
- Opening and running the new Queen's Park Sports Centre
- Launched a new Homelessness Strategy

A Review of 2015/16 Governance Issues

A mid - year review of progress against the 2015/16 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. As at March 2017, some actions have been completed but others are in progress and remain to be completed. Where necessary the uncompleted actions have been carried forward to the 2016/17 AGS action plan.

Significant Governance Issues

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Management Team has identified that there are a number of areas where action can be taken to improve the governance arrangements in place. The significant issues are summarised below.

The following significant governance issues have been identified:

No.	Issue Identified	Action to address
1.	Budget – There is a budget gap as identified in the Medium Term Financial Plan 2017/18 – 2019/20. The General Fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council Plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting: <ul style="list-style-type: none"> • Financial Planning Group • Great Place Great Service Board • Corporate Cabinet and CMT workshops • Monthly budget monitoring reports to service managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions
2.	Data Protection – there is still a significant amount of work required to ensure that the Council will be able to comply with the new European Data Protection Regulations that come in to force from May 2018.	Resources have been allocated to address the weaknesses outstanding. An Information Assurance officer has been appointed.
3.	Information Technology - the Council's IT infrastructure is in need of review to ensure that it is fit for purpose. Although PSN compliance has been achieved there is a need to ensure that this is retained and that IT can successfully support the Council's transformation projects.	The Council has initiated a contractual review of the PPP services and is requesting a 'deep dive' into the ICT service provided by Arvato. Results of the contractual review will be received during the 3 rd quarter of 2017 and will inform changes required.
4	Devolution - Plans to become a full member of the Sheffield City Region Combined Authority have been delayed following a legal challenge from Derbyshire County Council. This has resulted in implementation of the SCR devolution deal being delayed as well as any decision about membership or Mayoral elections.	The Council has made the decision to no longer be seeking full membership of the Sheffield City Region (SCR) Combined Authority and will therefore remain a 'non-constituent' member. This decision will have no impact in relation to existing grant funding the Council receives from SCR.
5	Non Housing Property Repairs – The previous 10 year plan has not been adhered to, monitored for completion	Kier has committed to providing additional resource to bring this work back on track as it has continued to be de-prioritised in relation

	or adjusted as a result of condition surveys. This issue has been carried forward from 2015/16.	to other work. This is now likely to be used to inform a fuller re-setting of the property repairs fund leading into the budget setting process for 2018/19.
6	Health and Safety - There has been a lack of capacity to ensure that health and safety arrangements are fit for purpose. This is as a result of major projects in 2016/17 such as the town hall restack that has identified asbestos issues and the opening of the Council's new Queens Park Leisure Centre and demolition of the old leisure centre.	The Health and Wellbeing Manager has produced an Action Plan to resolve the issues that will be monitored for completion by the Standards and Audit Committee and the Health and Safety Committee.

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 identified for improvement form part of the 2016/17 Annual Governance Statement action plan.

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 T Gilby
Leader of Chesterfield Borough Council

Date:

EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

Expenditure & Funding Analysis

2015/16 Net Expenditure Chargeable to the General Fund and HRA Balances (£000's)	2015/16 Adjustment between Funding and Accounting Basis (£000's)	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement (£000's)	Portfolio	2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances (£000's)	2016/17 Adjustment between Funding and Accounting Basis (£000's)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement (£000's)
153	253	406	Deputy Leader of the Council	553	(313)	240
(550)	1,931	1,381	Cabinet Member for Economic Growth	(4,252)	5,374	1,122
(3,186)	4,019	833	Cabinet Member for Town Centre and Visitor Economy	1,612	(677)	935
10,364	(605)	9,759	Cabinet Member for Health and Well Being	6,260	210	6,470
1,839	104	1,943	Cabinet Member for Customers and Communities	1,991	36	2,027
2,850	1,427	4,277	Cabinet Member for Finance and Governance	3,074	429	3,503
(737)	1,361	624	Cabinet Member for Business Transformation	(1,255)	1,719	464
(8,508)	(8,673)	(17,181)	Housing Revenue Account (HRA)	(10,014)	(61,895)	(71,909)
2,225	(183)	2,042	Net Cost of Service	(2,031)	(55,117)	(57,148)
(4,011)	(494)	(4,505)	Other Income and Expenditure	(556)	(2,524)	(3,080)
(1,786)	(677)	(2,463)	(Surplus)/Deficit	(2,587)	(57,641)	(60,228)
(30,961)			Opening General Fund and HRA Balance	(32,747)		
(1,786)			Movement	(2,587)		
(32,747)			Closing General Fund and HRA Balance	(35,334)		
(12,578)			Opening General Fund Balance	(11,924)		
654			Movement	1,910		
(11,924)			Closing General Fund Balance	(10,014)		
(18,383)			Opening HRA Balance	(20,823)		
(2,440)			Movement	(4,497)		
(20,823)			Closing HRA Balance	(25,320)		

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement from the start of the year to the end 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 'unusable reserves'.

The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year.

The 'Net Increase/Decrease' line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (restated) £000	Housing Revenue Account (restated) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 st March 2015	12,579	18,382	700	2,279	749	34,689	178,333	213,022
Movement in reserves during 2015/16								
Total Comprehensive Income & Expenditure	(8,651)	11,114	-	-	-	2,463	22,208	24,671
Adjustments between accounting basis & funding basis under regulations (note 10)	7,996	(8,673)	(39)	(2,279)	(306)	(3,301)	3,301	-
Net Increase / (Decrease) in 2015/16	(655)	2,441	(39)	(2,279)	(306)	(838)	25,509	24,671
Balance at 31st March 2016 carried forward (notes 11, 44 & 45)	11,924	20,823	661	-	443	33,851	203,842	237,693
Movement in reserves during 2016/17								
Total Comprehensive Income & Expenditure	(6,164)	66,391	-	-	-	60,227	6,841	67,068
Adjustments between accounting basis & funding basis under regulations (note 10)	4,255	(61,895)	2,813	-	681	(54,146)	54,146	-
Net Increase / (Decrease) in 2016/17	(1,909)	4,496	2,813	-	681	6,081	60,987	67,068
Balance at 31st March 2017 carried forward (notes 11, 44 & 45)	10,015	25,319	3,474	-	1,124	39,932	264,829	304,761

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

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

2015/16			2016/17			
Expenditure (restated) £000	Income (restated) £000	Net Expenditure (restated) £000		Expenditure £000	Income £000	Net Expenditure £000
1,649	(1,243)	406	Deputy Leader of the Council	1,945	(1,705)	240
2,937	(1,556)	1,381	Cabinet Member for Economic Growth	5,804	(4,682)	1,122
8,530	(7,697)	833	Cabinet Member for Town Centre and Visitor Economy	9,037	(8,102)	935
17,116	(7,357)	9,759	Cabinet Member for Health and Well Being	15,703	(9,233)	6,470
43,674	(41,731)	1,943	Cabinet Member for Customers and Communities	42,365	(40,338)	2,027
6,611	(2,334)	4,277	Cabinet Member for Finance and Governance	5,964	(2,461)	3,503
3,529	(2,905)	624	Cabinet Member for Business Transformation	3,785	(3,321)	464
84,046	(64,823)	19,223	COST OF GENERAL FUND SERVICES	84,603	(69,842)	14,761
22,856	(40,037)	(17,181)	Local Authority Housing (HRA)	28,801	(38,519)	(9,718)
-	-	-	HRA Exceptional Item (Note 5)	(62,191)	-	(62,191)
106,902	(104,860)	2,042	COST OF SERVICES	51,213	(108,361)	(57,148)
2,437	-	2,437	Other operating expenditure (Note 12)	2,534	-	2,534
13,916	(4,928)	8,988	Financing and investment income & expenditure (Note 13)	11,561	(5,447)	6,114
-	(15,930)	(15,930)	Taxation and non-specific grant income (Note 14)	-	(11,728)	(11,728)
		(2,463)	(Surplus)/Deficit on Provision of Services			(60,228)
		(4,444)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			(6,888)
		-	(Surplus)/deficit on revaluation of available for sale financial assets			-
		(17,764)	Actuarial (gains)/losses on pension liabilities			48
		(22,208)	Other Comprehensive Income & Expenditure			(6,840)
		(24,671)	Total Comprehensive Income & Expenditure			(67,068)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by 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 is 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 2017

2015/16		2016/17	Notes
£000		£000	
281,712	Council Dwellings	343,059)
67,490	Other Land & Buildings	69,437)
547	Vehicles, Plant, Furniture & Equipment	497)22,23,
3,155	Infrastructure Assets	2,914)26,27,
4,072	Community Assets	4,072)29
309	Assets Under Construction	1,238)
1,233	Surplus Assets Not Held for Sale	1,238)
358,518	Property, Plant & Equipment	422,455	
2,902	Heritage Assets	2,902	24
54,717	Investment Properties	50,387	28
619	Intangible Assets	485	25
4,519	Long Term Investments	4,506	
1,189	Long Term Debtors	254	32
422,464	Long Term Assets	480,989	
-	Assets Held for Sale - Property, Plant & Equipment	-	37
158	Assets Held for Sale - Investment Properties	43	37
9,059	Short Term Investments	17,592	
204	Inventories	203	34
6,873	Short Term Debtors	6,550	35
13,364	Cash & Cash Equivalents	17,130	36
29,658	Current Assets	41,518	
(4,425)	Short Term Borrowing	(4,372)	
(10,489)	Short Term Creditors	(13,299)	38
(453)	Short Term Provisions	(1,170)	39
(501)	Cash Overdrawn	(522)	36
(15,868)	Current Liabilities	(19,363)	
(133,494)	Long Term Borrowing	(131,553)	
(3,634)	Long Term Provisions	(2,751)	39
(60,998)	Net Pension Scheme Liabilities	(63,741)	18 & 49
(176)	Other Long Term Liabilities	(180)	
(259)	Capital Grants Receipts in Advance	(158)	
(198,561)	Long Term Liabilities	(198,383)	
237,693	Net Assets	304,761	
33,852	Usable Reserves	39,932	11,44
203,841	Unusable Reserves	264,829	45-52
237,693	Total Reserves	304,761	

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

2015/16 £000		2016/17 £000
(2,464)	Net (surplus)/deficit on provision of services	(60,228)
(25,567)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 53)	35,442
9,579	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 54)	11,864
(18,452)	Net cash flows from Operating Activities (Note 55)	(12,922)
1,801	Investing Activities (Note 56)	9,892
2,051	Financing Activities (Note 57)	(715)
(14,600)	Net increase/decrease in cash and cash equivalents	(3,745)
1,737	Cash and cash equivalents at beginning of reporting period	(12,863)
(12,863)	Cash and cash equivalents at end of reporting period (Note 36)	(16,608)

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 2016/17 financial year and its position at the year end 31st March 2017.

The Accounts and Audit Regulations 2015 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 2016/17 (the Code), 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 week's 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 day's pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2016/17 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.

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 London Interbank Offered Rate (LIBOR).

1.5 OVERHEADS

The costs of overheads and support services are charged to portfolios in accordance with the authority's arrangements for reporting financial performance.

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 entitlement is earned, 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
- 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 transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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 PROVISIONS

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 81).

Provisions are charged as an expense to the appropriate service 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 INVESTMENT PROPERTY

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Investment properties will be measured at highest and best use.

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 PROPERTY, PLANT & EQUIPMENT

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. 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 £25,000 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. This is the amount that would be received on disposing of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 current value, on the basis of existing use for social housing
- all other assets are valued at current value, on the basis of existing use

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the 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 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.

Intangible Assets

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 in the Comprehensive Income and Expenditure Statement.

Non-current Assets Held for Sale

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 current 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 assets in this class as at 1st April 2010 have been 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 (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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). This levy will be charged on residential and retail developments with appropriate planning consent. The income generated by this levy will be used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions and so is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions outlined above. CIL charges will generally be used to fund capital expenditure. However, 15% of the levy will be retained for neighbourhood development.

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 techniques:

- 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

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

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

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 UK gilt holding 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 subsidiaries, associates and joint ventures, it is required to prepare group accounts.

There were no group accounts identified for 2016/17.

1.22 JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the Authority in conjunction with other organisations which involve the use of assets and resources of one or more of the parties but which does not establish a separate entity.

The Council has a joint operation with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. The Council recognises on its balance sheet, its share of the assets that it controls and liabilities incurred and its share of the expenditure and income earned from the operation on its Comprehensive Income & Expenditure Statement. Note 60 on page 96 provides further details.

1.23 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.

1.24 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.

1.25 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.

1.27 FAIR VALUE MEASUREMENT

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

- In the principal market for the asset or liability, or
- In the absence of the principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming that market participants would act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using or selling the asset in its highest and best use.

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

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

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

1.28 COUNCIL TAX AND NON-DOMESTIC RATES

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be

included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The balance sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances, prepayments and appeals.

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

The Code of Practice on Local Authority Accounting for 2017/18 requires the disclosure of information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The relevant standards introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

It is not anticipated that the above amendments will have a material impact on the information provided in the Council's financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- 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 2017, 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 advice on the assumptions to be applied.	These assumptions interact in complex ways. During 2016/17, the actuaries advised that the net pensions liability had reduced by £13.767m because of estimates being corrected as a result of experience and increased by £13.675m attributable to updating their assumptions.
Arrears	At 31 st March 2017, the Authority had a balance of sundry debtors of £5.0m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £2.0m 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 £50k 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 £836k for every year that useful lives had to be reduced.
Fair value measurement	<p>When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted prices for similar assets in active markets or discounted cash flow are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values, including considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value amount.</p> <p>Where Level 1 inputs are not available, the authority uses relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in notes 23, 28 and 42.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates, adjusted for regional factors, for investment properties and some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.</p>

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 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 £12.9m in 2016/17. This spending is aimed at maintaining dwellings at the decent homes standard. It is anticipated that this level of investment will continue into future years.

There was one item disclosed separately during 2016/17. This related to the revaluation of the regional reduction for social housing. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2016/17 this has been revised to 42% from a 2015/16 factor of 34%. This adjustment has resulted in an increase in value of the Council's housing stock of £62.191m.

6. **EVENTS AFTER THE BALANCE SHEET DATE**

The statement of accounts was authorised for issue on 30/06/2017 by the Director of Finance, Kevin Hanlon FCCA, ACMA, GCMA. This is also the date up to which events after 31st March 2017 have been considered.

Following the Grenfell Tower fire a full inspection of our housing stock was undertaken and it was confirmed that none of our properties contains or has installed any Aluminium Composite Material cladding panels. In addition we do not own or manage any properties which are higher than 5 floors.

7. **NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS**

The note below shows the difference between the accounting basis and funding basis.

Adjustments between Funding and Accounting Basis 2016/17				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Deputy Leader of the Council	71	116	(500)	(313)
Economic Growth	5,364	10	0	5,374
Town Centre & Visitor Economy	(746)	71	(2)	(677)
Health & Wellbeing	(315)	524	1	210
Customers & Communities	71	-	(35)	36
Finance & Governance	8	422	(1)	429
Business Transformation	294	1,425	-	1,719
Housing Revenue Account	(60,011)	126	(2,010)	(61,895)
Net Cost of Services	(55,264)	2,694	(2,547)	(55,117)
Other income & expenditure from Expenditure & Funding Analysis	(401)	-	(2,123)	(2,524)
Difference between General Fund deficit & CIES deficit on Provision of Services	(55,665)	2,694	(4,670)	(57,641)

Adjustments between Funding and Accounting Basis 2015/16				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Deputy Leader of the Council	58	178	17	253
Economic Growth	1,867	53	11	1,931
Town Centre & Visitor Economy	3,724	285	10	4,019
Health & Wellbeing	(1,241)	635	1	(605)
Customers & Communities	100	4	-	104
Finance & Governance	-	1,397	30	1,427
Business Transformation	325	1,026	10	1,361
Housing Revenue Account	(6,880)	263	(2,056)	(8,673)
Net Cost of Services	(2,047)	3,841	(1,977)	(183)
Other income & expenditure from Expenditure & Funding Analysis	(317)	-	(177)	(494)
Difference between General Fund deficit & CIES deficit on Provision of Services	(2,364)	3,841	(2,154)	(677)

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

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

Net Change for Pension Adjustments

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

- **For services** – this represents the removal of the employer contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- **For financing and investment income and expenditure** – recognises adjustments to the General Fund for the timing differences for premiums and discounts
- **For taxation and non-specific grant income and expenditure** – represents the differences between what is chargeable under statutory regulations for council tax and business rate income that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be included in future surplus/deficit on the Collection Fund.

8. **SEGMENTAL INCOME**

The amount of income received from external sources is shown below on a segmental basis.

Portfolios	Income from Services	
	2016/17 £000	2015/16 £000
Deputy Leader of the Council	(457)	(646)
Economic Growth	(2,984)	(2,938)
Town Centre & Visitor Economy	(9,280)	(9,423)
Health & Wellbeing	(5,754)	(5,018)
Customers & Communities	(37,073)	(38,623)
Finance & Governance	(259)	(354)
Business Transformation	(160)	(206)
Housing Revenue Account	(39,805)	(41,213)
Total Income analysed on a segmental basis	(95,772)	(98,421)

9. **EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

	2016/17 £000	2015/16 £000
Expenditure		
Employee expenses	14,383	15,301
Other service expenses	69,258	71,650
Support service recharges	12,418	11,241
Depreciation, amortisation and impairment	(40,557)	16,864
Transfers to/from reserves	(32)	94
Interest payments	7,723	7,880
Precepts	404	357
Payments to Housing Capital Receipts Pool	933	941
Gain/Loss on Disposal of Fixed Assets	1,150	1,087
Total Expenditure	65,680	125,415

Income		
Fees, Charges & Other Service Income	(57,496)	(56,173)
Government Grants	(44,265)	(45,282)
Recharges & Other Income	(15,718)	(18,962)
Interest & Investment Income	(367)	(324)
Income from Business Rates	(3,379)	(2,681)
Income from Council Tax	(4,683)	(4,456)
Total Income	(125,908)	(127,878)
Surplus/Deficit on Provision of Services	(60,228)	(2,463)

10. 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 its 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.

2016/17	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						
Depreciation, impairment & revaluation losses of non-current assets	1,944	(50,878)				48,934
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,916	6,362				(8,278)
Movement in market value of Investment Properties	2,929	(201)				(2,728)
Amortisation of intangible assets	134					(134)
Capital grants & contributions applied	(4,219)				181	4,038
Revenue expenditure funded from capital under statute	3,957					(3,957)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(466)					466

Capital expenditure charged against General Fund and HRA balances	(1,367)					1,367
Voluntary Repayment of Debt		(2,046)				2,046
Community Infrastructure Levy (CIL) Receipts	(500)				500	-
Transfers between Other Reserves	(35)	35	4			(4)
<u>Adjustments primarily involving Capital Receipts Reserve:</u>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,384)			3,384
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	934		(934)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(1,883)	(5,244)	7,127			-
<u>Adjustment primarily involving Major Repairs Reserve:</u>						
HRA depreciation & impairment		(7,579)		7,579		
Excess of Major Repairs Allowance Over HRA depreciation		(2,470)		2,470		
Use of Major Repairs Reserve to finance new capital expenditure				(10,049)		10,049
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(8)					8
<u>Adjustments primarily involving Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	7,307	126				(7,433)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,739)					4,739
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
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	(1,649)					1,649
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
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	-	-				-
<u>Transfers between other reserves</u>						
<u>Total Adjustments</u>	4,255	(61,895)	2,813	0	681	54,146

2015/16	Usable Reserves					Movement in Unusable Reserves (restated) £000
	General Fund Balance (restated) £000	Housing Revenue Account £000	Capital Receipts Reserve (restated) £000	Major Repairs Reserve £000	Capital Grants Unapplied £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	4,213	4,837				(9,050)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	335	4,956				(5,291)
Movement in market value of Investment Properties	4,684					(4,684)
Amortisation of intangible assets	19					(19)
Capital grants & contributions applied	(5,307)				(306)	5,613
Revenue expenditure funded from capital under statute	1,225					(1,225)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(329)					329
Capital expenditure charged against General Fund and HRA balances	(1,224)	(3,097)				4,321
Voluntary Repayment of Debt		(2,077)				2,077
Transfers between Other Reserves	2		34			(36)
Adjustments primarily involving Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,336)			3,336
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	941		(941)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(369)	(3,835)	4,204			
Adjustment primarily involving Major Repairs Reserve:						
HRA depreciation & impairment		(7,268)		7,268		
Excess of Major Repairs Allowance Over HRA depreciation		(2,473)		2,473		
Use of Major Repairs Reserve to finance new capital expenditure				(12,020)		12,020
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	(4)					4
Adjustments primarily involving Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to	7,920	263				(8,183)

Comprehensive Income & Expenditure Statement						
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,342)					4,342
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
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	153					(153)
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
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	79	21				(100)
<u>Total Adjustments</u>	7,996	(8,673)	(39)	(2,279)	(306)	3,301

11. **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 1/4/2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance 31/03/2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance 31/03/2017 £000
General Fund							
Vehicles & Plant	1,211	381	(743)	849	423	(365)	907
Information Technology	-	146	(14)	132	608	(364)	376
Crematorium							
Mercury Abatement	168	54	-	222	58	-	280
Capital Improvements	474	95	(142)	427	107	(367)	167
Capital Reserves	1,853	676	(899)	1,630	1,196	(1,096)	1,730
General Fund							
Invest to Save	286	-	(11)	275	-	(23)	252
Budget Risk Reserve	780	788	(525)	1,043	205	(802)	446
Service Improvement	1,153	34	(198)	989	34	(409)	614
Property Improvement	717	1,418	(1,392)	743	1,347	(1,537)	553
Insurance	567	-	-	567	30	-	597
Tenants Property	671	280	(231)	720	256	(562)	414
Tapton Innovation Centre	225	26	(8)	243	26	(114)	155
DSO/DLO Reserve	574	17	(228)	363	90	(48)	405
Legal Services	-	12	-	12	-	(12)	-
Planning Inquiry	260	-	-	260	-	(20)	240
Flood Restoration	82	-	(8)	74	-	-	74
Asset Management	44	-	(27)	17	-	(1)	16
Elections Equipment	2	-	-	2	-	-	2
Working Neighbourhoods	118	-	(118)	-	-	-	-
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	11	-	-	11	7	(11)	7
Risk Management Fund	5	5	(5)	5	5	(6)	4
S106	330	9	(49)	290	14	(31)	273
Revenue Grants Unapplied	777	234	(483)	528	104	(168)	464
MMI Insurance Reserve	503	-	(137)	366	-	(1)	365
Severn Trent Water	-	30	-	30	-	-	30
Barrow Hill Bridge	40	-	-	40	10	(40)	10
Business Rates	1,122	316	-	1,438	250	(1,186)	502
Repaid Improvement Grants	175	108	(28)	255	69	(90)	234
Zurich Insurance Risk Reserve	5	10	(15)	-	-	-	-
Building Control	75	-	(55)	20	13	(33)	-
Great Place:Great Service	105	-	(105)	-	-	-	-
Northern Gateway	-	-	-	-	200	-	200
Theatre Restoration	-	-	-	-	291	(22)	269
Deficit Reduction	-	-	-	-	407	-	407
Crematorium							
Crematorium Balance	268	198	(54)	412	-	(250)	162
Cremator Repairs	40	14	(6)	48	11	-	59
Crematorium Equipment	12	3	-	15	1	(15)	1
Organ Reserve	3	-	-	3	1	-	4
Revenue Reserves	8,975	3,502	(3,683)	8,794	3,371	(5,381)	6,784
Total Earmarked Reserves	10,828	4,178	(4,582)	10,424	4,567	(6,477)	8,514
General Fund Working Balance	1,750	-	(250)	1,500	-	-	1,500
HRA							
Housing Revenue Account Balance	18,026	2,445	-	20,471	4,506	-	24,977
Major Repairs Reserve (HRA)	2,279	9,740	(12,019)	-	10,049	(10,049)	-
Revenue Grants Unapplied	356	36	(40)	352	22	(32)	342
Total HRA Reserves	20,661	12,221	(12,059)	20,823	14,577	(10,081)	25,319

12. OTHER OPERATING EXPENDITURE

	2016/17 £000	2015/16 £000
Parish council precepts	404	357
Payments to Housing Capital Receipts Pool	934	941
(Gains)/losses on disposal of non-current assets	1,150	1,086
Other	46	53
TOTAL	2,534	2,437

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £000	2015/16 £000
Interest payable & similar charges	5,303	5,461
Net interest on net defined benefit liability	2,143	2,420
Interest and Investment Income	(367)	(325)
Income and expenditure in relation to Investment Properties	(3,239)	(3,086)
(Gain)/loss on disposal of Investment Properties	-	-
Changes in fair value of Investment Properties	2,728	4,683
(Gain)/loss on trading accounts	(454)	(165)
TOTAL	6,114	8,988

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2016/17 £000	2015/16 £000
Council tax income	(4,684)	(4,456)
Business Rates income & expenditure	(3,379)	(2,681)
Non-ringfenced government grants	(3,466)	(4,139)
Capital grants and contributions	(199)	(4,654)
TOTAL	(11,728)	(15,930)

15. OTHER TRADING UNDERTAKINGS

In 2016/17, 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.

	2016/17			2015/16
	Gross Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	995	(1,150)	(155)	(213)
Trade Refuse	526	(646)	(120)	(91)
Industrial Units	3,560	(4,893)	(1,333)	(1,457)
Town Centre shops	2,822	(3,723)	(901)	(1,109)
	7,903	(10,412)	(2,509)	(2,870)

Markets – this includes the open market, car boot sale 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 233 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 73 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.

16. 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	
	2016/17	2015/16
£50,000 - £54,999	5	4
£55,000 - £59,999	2	1
£60,000 - £64,999	1	-
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	2
£80,000 - £84,999	-	-
£85,000 - £89,999	2	2
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	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 (these are also included in the table above).

2016/17	Salary (incl fees & allowances)	Expense Allowances	Benefits in Kind (e.g car allowance)	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2016/17	Pension Contributions	Total Remuneration incl pension contributions 2016/17
Post title	£	£	£	£	£	£	£
Chief Executive	105,671	-	742	-	106,413	13,932	120,345
Executive Director	87,567	-	-	-	87,567	11,559	99,126
Executive Director	87,567	-	424	-	87,991	11,559	99,550
Chief Finance Officer (a)	16,870	340	32	36,882	54,124	2,227	56,351
Acting Chief Finance Officer (b)	21,008	-	-	-	21,008	2,773	23,781
Director of Finance & Resources (c)	32,000	269	-	-	32,269	4,224	36,493
Total	350,683	609	1,198	36,882	389,372	46,274	435,646

- (a) The Chief Finance Officer left on 30/6/16 following a restructure of the Corporate Management Team.
- (b) The Acting Chief Finance Officer covered the role on a temporary basis from 1/7/16 to 6/11/16.
- (c) The Director of Finance & Resources commenced in this new role from 7/11/16.

2015/16	Salary (incl fees & allowances)	Expense Allowances	Benefits in Kind (e.g car allowance)	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2015/16	Pension Contributions	Total Remuneration incl pension contributions 2015/16
<u>Post title</u>	£	£	£	£	£	£	£
Chief Executive	104,499	329	611	-	105,439	13,794	119,233
Executive Director	86,700	308	-	-	87,008	11,444	98,452
Executive Director	86,700	-	285	-	86,985	11,444	98,429
Chief Finance Officer	66,810	32	155	-	66,997	8,819	75,816
Total	344,709	669	1,051	-	346,429	45,501	391,930

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
							£000	£000
£0 - £20,000	20	16	9	9	29	25	265	161
£20,001 - £40,000	-	3	6	-	6	3	149	90
Total	20	19	15	9	35	28	414	251

17. 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 Chesterfield Borough Council for this work, including a contribution towards administrative costs. Total expenditure in 2016/17 was £130,424 (£204,747 in 2015/16).

18. 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 career average revalued earnings 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	2016/17 £000	2015/16 £000
Cost of Services		
Service cost comprising:		
• Current service cost	5,001	5,731
• Past service costs	289	32
Financing & Investment Income and Expenditure		
• Net interest expense	2,144	2,420
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	7,434	8,183
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	(22,461)	4,480
• Actuarial gains and losses arising on changes in demographic assumptions	(2,594)	-
• Actuarial gains and losses arising on changes in financial assumptions	38,854	(19,564)
• Other	(13,751)	(2,680)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	7,482	(9,581)

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	(7,434)	(8,183)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	4,739	4,342

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2016/17 £000	2015/16 £000
Present value of defined benefit obligation	232,932	203,646
Fair value of plan assets	(169,662)	(142,972)
Net liability arising from defined benefit obligation	63,270	60,674

Reconciliation of Movements in the Fair Value of Scheme Assets

	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	142,972	143,852
Interest income	4,989	4,587
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	22,353	(4,458)
Contribution from employer	4,703	4,310
Contributions from employees into the scheme	1,106	1,093
Benefits paid	(6,461)	(6,412)
Closing fair value of scheme assets	169,662	142,972

Reconciliation of Present Value of Scheme Liabilities

	2016/17 £000	2015/16 £000
Opening balance at 1 st April	203,646	218,404
Current service cost	4,970	5,700
Interest cost	7,121	6,995
Contribution from scheme participants	1,106	1,093
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	(2,580)	-
• Actuarial gains/losses arising from changes in financial assumptions	38,608	(19,504)
• Other	(13,767)	(2,662)
Past service cost	289	32
Benefits paid	(6,461)	(6,412)
Closing balance at 31st March	232,932	203,646

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2016/17				2015/16			
	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	-	7,820	7,820	5%	-	5,862	5,862	4%
Equity Securities								
• Consumer	12,934	-	12,934	8%	11,756	-	11,756	8%
• Manufacturing	15,193	-	15,193	9%	13,336	-	13,336	9%
• Energy & utilities	10,245	-	10,245	6%	8,148	-	8,148	6%
• Financial institutions	12,158	-	12,158	7%	11,210	-	11,210	8%
• Health and care	6,749	-	6,749	4%	6,202	-	6,202	4%
• Information technology	4,315	-	4,315	2%	3,992	-	3,992	3%
• Other	18,669	-	18,669	11%	14,627	-	14,627	10%
Sub-total Equity	80,263	-	80,263	47%	69,271	-	69,271	48%
Debt Securities								
• Corporate	-	10,277	10,277	6%	-	7,915	7,915	6%
• UK Government	17,840	-	17,840	10%	16,016	-	16,016	11%
• Other	3,106	-	3,106	2%	2,854	-	2,854	2%
Sub-total Debt	20,946	10,277	31,223	18%	18,870	7,915	26,785	19%
Property								
• UK Property	-	10,858	10,858	6%	-	8,524	8,524	6%
Private Equity								
• All	2,334	563	2,897	2%	1,940	586	2,526	2%
Investment Funds & Unit Trusts								
• Equities	33,617	-	33,617	20%	27,162	386	27,548	19%
• Bonds	-	-	-	-	-	-	-	-
• Infrastructure	1,945	1,039	2,984	2%	1,631	825	2,456	2%
Sub-total Investment Funds & Unit Trusts	35,562	1,039	36,601	22%	28,793	1,211	30,004	21%
Total Assets	139,105	30,557	169,662	100%	118,874	24,098	142,972	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 2016.

The significant assumptions used by the actuary are:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	21.9	22.0
• Women	24.4	24.2
Longevity at 65 for future pensioners		
• Men	23.9	24.1
• Women	26.5	26.6
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	2.9%	3.2%
Rate of increase in pensions	2.9%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%
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%	75%

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	9%	21,997
0.5% increase in Salary Increase Rate	1%	3,288
0.5% increase in Pension Increase Rate	8%	18,397

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to 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 as at 31st March 2019.

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 2017/18 is £4.385m.

The weighted average duration of the defined benefit obligation for scheme members is 23.1 years for active members, 22.3 years for deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 16/17 is 17.1 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 18 do not include Chesterfield Borough Council's share of the Crematorium pension fund which has its own separate fund.

19. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

	2016/17 £000	2015/16 £000
Special Responsibility & Other Allowances	143	130
Basic Responsibility Allowances	285	212
Members expenses	4	5
TOTAL	432	347

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)

20. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17.

	2016/17 £000	2015/16 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	1,836	2,363
Council Tax Freeze Grant	-	48
New Homes Bonus Grant	909	616
Sport England	30	2,023
Homes & Communities Agency	-	15
Chesterfield College	-	2,500
Sheffield City Region	169	-
Dept Communities & Local Government: -		
• Small Business Rate Relief	721	951
• Other	-	161
Arts Council	-	25
Other	-	90
TOTAL	3,665	8,792

Credited to Services:		
Capital		
Dept Communities & Local Government - Housing	-	40
Sheffield City Region	2,879	-
Derbyshire Better Care Fund	952	557
Environment Agency	202	80
Other	4	14
Revenue		
Dept for Work & Pensions – Housing Benefits	36,087	37,807
Dept Communities & Local Government	232	353
Lottery Fund	3	21
Other Government Grants	24	39
Derbyshire County Council:		
- Supporting people	297	450
- Highways agency	130	205
- Other	18	87
Other Local Authorities	35	90
S106 Contributions	42	59
TOTAL	40,905	39,802

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:

	2016/17 £000	2015/16 £000
Capital Grants Receipts in Advance		
Environment Agency	90	202
Derbyshire County Council	4	4
S106 Contributions	53	53
Other	11	-
TOTAL	158	259

21. 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.

	2016/17 £'000	2015/16 £'000
Audit of Accounts	52	52
Certification of Grant Claims	6	6
Non-Audit Services	3	3
Total	61	61

22. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

<u>Movements in 2016/17</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Gross Book Value</u>								
Brought forward 1 April	281,712	70,756	2,752	6,061	4,072	1,241	309	366,903
Additions	12,740	962	97			252	446	14,497
Revals - Reval'n Res	4,298	3,040				9		7,347
Revals - surplus/deficit on provision of services	51,264	(953)				(9)		50,302
Derecog'n - disposals	(4,319)							(4,319)
Derecog'n - other	(2,146)	(344)				(252)		(2,742)
Impairment losses rev in s/d on provision of servs								-
Other movements	(490)						483	(7)
GBV at 31 March 17	343,059	73,461	2,849	6,061	4,072	1,241	1,238	431,981
<u>Accumulated Depreciation & Impairment</u>								
Brought forward 1 April	-	(3,266)	(2,205)	(2,906)	-	(8)	-	(8,385)
Additions - depreciation	(7,486)	(1,838)	(147)	(241)		(4)		(9,716)
Additions - impairment								-
Revals - Reval'n Res								-
Revals - surplus/deficit on provision of services	7,194	1,080				9		8,283
Derecog'n - disposals	128							128
Derecog'n - other	157							157
Impairment losses rev in s/d on provision of servs								-
Other movements	7							7
Depreciation & Impairment at 31 March 17	-	(4,024)	(2,352)	(3,147)	-	(3)	-	(9,526)
Net Book Value B/fwd	281,712	67,490	547	3,155	4,072	1,233	309	358,518
Net Book Value at 31 March 17	343,059	69,437	497	2,914	4,072	1,238	1,238	422,455

<u>Movements in 2015/16</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Gross Book Value</u>								
Brought forward 1 April	269,689	64,223	2,555	6,061	4,072	1,108	6,487	354,195
Additions	15,773	483	205				8,460	24,921
Revals - Reval'n Res	1,884	397				(3,276)		(995)
Revals - surplus/deficit on provision of services	(4,495)	(1,655)				-		(6,150)
Derecog'n - disposals	(2,259)		(8)					(2,267)
Derecog'n - other	(2,596)	(195)						(2,791)
Reclassified to/from Held For Sale		(2)						(2)
Other movements	3,716	7,505				3,409	(14,638)	(8)
GBV at 31 March 16	281,712	70,756	2,752	6,061	4,072	1,241	309	366,903
<u>Accumulated Depreciation & Impairment</u>								
Brought forward 1 April	-	(6,127)	(2,057)	(2,666)	-	-	-	(10,850)
Additions - depreciation	(7,170)	(2,844)	(156)	(240)				(10,410)
Additions - impairment								-
Revals - Reval'n Res		1,783				3,275		5,058
Revals - surplus/deficit on provision of services	6,925	522				4		7,451
Derecog'n - disposals	64		8					72
Derecog'n - other	188	92						280
Reclassified to/from Held For Sale		6						6
Other movements	(7)	3,302				(3,287)		8
Depreciation & Impairment at 31 March 16	-	(3,266)	(2,205)	(2,906)	-	(8)	-	(8,385)
Net Book Value B/fwd	269,689	58,096	498	3,395	4,072	1,108	6,487	343,345
Net Book Value at 31 March 16	281,712	67,490	547	3,155	4,072	1,233	309	358,518

Depreciation

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

23. SURPLUS ASSETS

Fair Value Hierarchy

Details of surplus assets and information about their fair value hierarchy at 31st March are as follows:

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 17 £000
Community Rooms	85	-	85
Former Sports Centre	-	45	45
Land	-	1,108	1,108
Total 2016/17	85	1,153	1,238

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 16 £000
Community Rooms	80	-	80
Former Sports Centre	-	45	45
Land	-	1,108	1,108
Total 2015/16	80	1,153	1,233

There were no transfers between Levels 2 and 3 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs – Level 2

The fair value for the surplus assets has been based on a market approach using current market evidence including recent sale prices/rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant.

Significant Unobservable Inputs – Level 3

These valuations are historic based on existing use values and/or based on unobservable inputs. The sports centre value is shown net of demolition costs. These assets will be revalued in 2017/18 to allow confirmation of their fair value hierarchy classifications.

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

Surplus Assets categorised as Level 3	31 st March 2017 £000	31 st March 2016 £000
Opening balance	1,153	1,108
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in Surplus/Deficit on Provision of Services resulting from changes in fair value	-	-
Additions	-	45
Revaluations	-	-
Disposals	-	-
Closing Balance	1,153	1,153

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs – Level 3

	31 st March 2017 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Former Sports Centre	45	Depreciated Replacement Cost	Future use	Planning restrictions Adjacent to Heritage Park
Land	1,108	Market value	Future use	Planning restrictions Site issues - redevelopment

24. 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 01/04/16 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/03/17 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	318						318
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	245						245
Mayoral Regalia	439						439
Assets Carried at Valuation	2,217						2,217
Barrow Hill Railway HC	344						344
War Memorials etc.	38						38
Museum Collection	-						-
Percent for Art Sculptures	303						303
Assets Carried at Cost	685						685
TOTAL HERITAGE ASSETS	2,902						2,902

Historic Sites & Buildings

These assets are measured at valuation using conventional valuation approaches. They were valued as at March 2015 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 in 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 2015. Due to the costs involved, further appraisals will be infrequent. No material additions or disposals have occurred since the valuation was prepared.

Civic Plate, Paintings & Porcelain

The Civic Plate, Civic Paintings and Porcelain were valued in 2015. Due to the costs involved, further appraisals will be infrequent. No material additions or disposals have occurred since the valuation was prepared.

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. 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 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 £3.3m 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 Collections policy and the Rationalisation & Disposals policy are available from the Museums Collections officer and are reviewed every 5 years. The next review will take place in 2019.

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.

<u>Summary of Transactions</u>	2016/17 £000	2015/16 £000
<u>Assets Carried at Valuation</u>		
Cost of acquisitions	-	-
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-
<u>Assets Carried at Cost</u>		
Cost of acquisitions	-	-
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-

25. **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.

<u>Purchased Software Licences</u>	2016/17 £000	2015/16 £000
Net Carrying Amount:		
Brought forward 1 April	619	356
Additions	-	283
Disposals	-	-
Amortisation for the period	(134)	(20)
Carried forward 31 March	485	619

For 2016/17, total amortisation charges of £134k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

<u>Analysis of Amortisation Charges</u>	2016/17 £000
Deputy Leader of the Council	20
Cabinet Member for Customers and Communities	12
Cabinet Member for Business Transformation	16
Other	86
Total	134

26. **CAPITAL COMMITMENTS**

The Council has approved a capital programme for the two year period to 2018/19 amounting to approximately £41m of which approximately £2.3m was contractually committed at 31st March 2017.

	Approved Expenditure £000	Committed £000
Council Housing	27,089	1,109
Economic Development	8,989	607
Renovation Grants	2,031	354
Leisure	356	97
Planning & Property	45	45
Other Schemes	2,928	44
	41,438	2,256

27. **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.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement (CFR) 1st April	150,854	152,108
<u>Capital Investment</u>		
Property, Plant and Equipment	14,237	24,921
Investment Properties	660	11
Intangible Assets	-	283
Heritage Assets	-	-
Revenue Expenditure Funded from Capital under Statute	3,958	1,265
<u>Financed by</u>		
Capital Receipts	(3,384)	(3,336)
Capital Grants & Contributions	(4,055)	(5,651)
Revenue Balances & Direct Revenue Financing	(11,416)	(16,341)
Minimum / Voluntary Revenue Provision	(2,512)	(2,406)
Use of Capital Receipts to Repay Debt	-	-
Closing Capital Financing Requirement 31st March	148,342	150,854
Increase/(Decrease) in CFR	(2,512)	(1,254)
<u>Analysis of Increase/(Decrease) in CFR</u>		
Supported by Government Financial Assistance	-	-
Unsupported by Government Financial Assistance	(2,512)	(1,254)
Increase/(Decrease) in CFR	(2,512)	(1,254)

28. **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.

	2016/17 £000	2015/16 £000
Rental income from investment property	4,626	4,439
Direct operating expenses arising from investment property	1,387	1,353
Net gain/(loss)	3,239	3,086

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 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:

	2016/17 £000	2015/16 £000
Balance at start of year	54,717	59,536
Additions:		
Subsequent expenditure	380	11
Disposals	(1,982)	(296)
Net gains/losses from fair value adjustments	(2,728)	(4,684)
Other changes	-	150
Balance at end of year	50,387	54,717

Fair Value Hierarchy

Details of the investment properties and information about their fair value hierarchy at 31st March are as follows:

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 17 £000
Industrial units & Trading Estates	16,890	-	16,890
Retail & Office	20,702	-	20,702
Undeveloped Land	11,459	443	11,902
Miscellaneous	733	160	893
Total 2016/17	49,784	603	50,387

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 16 £000
Industrial units & Trading Estates	16,509	-	16,509
Retail & Office	18,906	-	18,906
Undeveloped Land	18,016	443	18,459
Miscellaneous	683	160	843
Total 2015/16	54,114	603	54,717

There were no transfers between Levels 2 and 3 during the year.

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

Significant Observable Inputs – Level 2

The Council's investment portfolio generally sits within an active market where there have been a number of lettings and sales therefore they have been classed as Level 2 in the fair value hierarchy as inputs are observable. The fair value takes account of current leases, cash flows and reasonable assumptions regarding future rental income and outgoings.

Significant Unobservable Inputs – Level 3

The Level 3 investment properties consist of 4 agricultural holdings for which formal lease documentation is incomplete thereby creating unknowns.

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

Investment Properties categorised as Level 3	31 st March 2017 £000	31 st March 2016 £000
Opening balance	603	818
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in Surplus/Deficit on Provision of Services resulting from changes in fair value	-	-
Additions	-	-
Revaluations	-	(215)
Disposals	-	-
Closing Balance	603	603

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

	31 st March 2017 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Undeveloped Land	443	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	160	Assumed investment (fair value basis)	Rent details Rent comparables	Rent level being known/eligible successor/prospect of vacant possession

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out by Kier, the Council's Asset Management partner, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

29. 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 2017 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 102).

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
	£000	£000	£000	£000	£000
Valued at historical cost		50	497		547
<u>Valued at current value</u>					
2016/17	330,633	39,109		46	369,788
2015/16	12,023	9,394		84	21,501
2014/15	328	4,358			4,686
2013/14		5,962		1,108	7,070
2012/13	75	10,564			10,639
Total Net Book Value	343,059	69,437	497	1,238	414,231

30. **DEPRECIATION**

The treatment of depreciation is described in Note 1.14 (page 36) of the Summary of Significant Accounting Policies.

31. **IMPAIRMENT LOSSES**

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2016/17.

32. **LONG TERM DEBTORS**

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

	31st March	
	2017	2016
	£000	£000
Housing Associations	-	72
Chesterfield Football Club	-	828
Operating Lease Incentives	79	85
Other	175	204
Total	254	1,189

33. 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:

	31 st March	
	2017 £000	2016 £000
Not later than 1 year	275	275
Later than 1 year and not later than 5 years	376	407
Later than 5 years	23	30
Total	674	712

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2017 was £0k (£0k at 31st March, 2016).

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

	Year Ended 31 st March	
	2017 £000	2016 £000
Minimum lease payments	590	625
Contingent rents	8	8
Total	598	633

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:

	31 st March	
	2017 £000	2016 £000
Not later than 1 year	1,789	1,936
Later than 1 year and not later than 5 years	3,718	4,124
Later than 5 years	3,585	3,927
Total	9,092	9,987

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 2016/17, £500,297 contingent rents were receivable by the Authority (2015/16 £340,000).

34. INVENTORIES

	31st March	
	2017 £000	2016 £000
Direct Services	162	153
Crematorium	1	1
Other	40	50
Total	203	204

35. DEBTORS

	31st March	
	2017 £000	2016 £000
Sundry Debtors - Revenue	3,738	2,847
Central Government Bodies	261	1,036
Other Local Authorities	948	961
Housing Revenue Account	1,147	1,498
Crematorium	146	105
Business Rate Payers	108	224
Council Tax Payers	202	202
Total	6,550	6,873

36. CASH & CASH EQUIVALENTS

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

	31st March	
	2017 £000	2016 £000
Cash held	16	17
Bank current accounts	(522)	(501)
Short term deposits with banks	17,114	13,347
Total	16,608	12,863

37. ASSETS HELD FOR SALE

	Current		Non Current	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<u>Investment Property Held for Sale</u>				
Balance brought forward at 1 April	158	375		
Revaluations	-	-		
Assets newly classified as held for sale	-	296		
Assets declassified as held for sale	-	(150)		
Assets sold	(115)	(363)		
Balance carried forward at 31 March	43	158	-	-
<u>Other Assets Held for Sale</u>				
Balance brought forward at 1 April	-	182		
Assets newly classified as held for sale	-	-		
Assets declassified as held for sale	-	-		
Assets sold	-	(182)		
Balance carried forward at 31 March	-	-	-	-
<u>Net Sale Proceeds</u>				
Investment Property	1,773	572	-	-
Other Assets	159	254	-	-

38. CREDITORS

	31st March	
	2017 £000	2016 £000
Sundry creditors – Capital	2,388	1,574
Sundry creditors - Revenue	4,148	4,991
Central Government Bodies	2,729	1,482
Other Local Authorities	2,496	1,245
Housing Revenue Account	679	866
Crematorium	419	59
Advance Receipts: Business rates	337	182
Advance Receipts: Council tax	103	90
Total	13,299	10,489

39. **PROVISIONS**

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

	Balance b/fwd 01/04/16 £000	Movements in year		Balance c/fwd 31/03/17 £000
		Additions £000	Applied £000	
Short Term Provisions				
Non Domestic Rate Appeals	74	676	(3)	747
D.L.O. Provision	303	308	(296)	315
Redundancy Provision	76	108	(76)	108
Total – Short Term Provisions	453	1,092	(375)	1,170
Long Term Provisions				
Non Domestic Rate Appeals	1,783	-	(724)	1,059
Transport Employee Pensions	913	122	(44)	991
Insurance Provision	837	226	(396)	667
MMI Provision	88	-	(68)	20
Other	13	1	-	14
Total – Long Term Provisions	3,634	349	(1,232)	2,751

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 fund was reviewed in March 2017 and will be increased over the next 3 years in line with review recommendations.

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 2016 which suggested that the fund balance was adequate. The next review will take place during 2019/20.

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 2017 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 25% 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. Due to the complexity and uncertainties surrounding the calculation of the provision, the Council engages the services of Inform PCI and the Analyse Local system. A detailed breakdown of the provision can be found on page 109.

40. 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:

	31 st March			
	Long term		Current	
	2017 £000	2016 £000	2017 £000	2016 £000
Loans & receivables	1,250	2,151	10,542	10,082
Available for sale	-	-	17,115	12,349
Financial assets at fair value through profit or loss	3,256	3,269	7,048	8
Financial assets carried at contract cost	-	24	5,583	5,061
Financial Assets	4,506	5,444	40,288	27,500
Financial liabilities at amortised cost	131,567	133,508	4,894	4,926
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities carried at contract cost	-	-	9,720	8,736
Financial Liabilities	131,567	133,508	14,614	13,662

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table below.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/3/17 £000	Value as at 31/3/16 £000
Available for sale				
Money market funds	Level 1	Unadjusted quoted prices in active markets	17,115	12,349
Fair Value through Profit or Loss				
UK Gilt	Level 1	Unadjusted quoted prices in active markets	3,264	3,277
Corporate Bonds	Level 1	Unadjusted quoted prices in active markets	2,013	-
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets	5,027	-
Total			27,419	15,626

There were no transfers between input levels during the year and no changes in valuation techniques.

41. 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:

2016/17	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost £000	Loans & receivables £000	Available-for-sale assets £000	Fair value through profit or loss £000	
Interest expense	5,303	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,303	-	-	-	5,303
Interest income	-	(141)	-	(99)	
Dividend income	-	-	(18)	-	
Increase in fair value	-	-	-	(12)	
Gains on derecognition	-	-	(84)	-	
Total income in Surplus/Deficit on Provision of Services	-	(141)	(102)	(111)	(354)
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	5,303	(141)	(102)	(111)	

2015/16	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost	Loans & receivables	Available-for-sale assets	Fair value through profit or loss	
	£000	£000	£000	£000	
Interest expense	5,461	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,461	-	-	-	5,461
Interest income	-	(146)	-	(40)	
Dividend income	-	-	(2)	-	
Increase in fair value	-	-	-	(38)	
Gains on derecognition	-	-	(79)	(5)	
Total income in Surplus/Deficit on Provision of Services	-	(146)	(81)	(83)	(310)
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	5,461	(146)	(81)	(83)	

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

Except for the financial assets carried at fair value (see note 40 for details), financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair values are calculated as follows:

	31 st March 2017		31 st March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial Liabilities	136,461	185,984	138,434	176,003

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.

	31 st March 2017		31 st March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & Receivables	11,792	11,792	12,233	12,233

For loans and receivables, the carrying amount is considered to be a reasonable approximation of fair value and therefore no fair value disclosures are included.

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 above.

Fair Value Hierarchy for Financial Liabilities that are not measured at fair value

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 17 £000
Financial Liabilities			
PWLB loans	-	182,766	182,766
Total	-	182,766	182,766

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 16 £000
Financial Liabilities			
PWLB loans	-	172,722	172,722
Total	-	172,722	172,722

For the remaining £3.2m of financial liabilities, the carrying value has been used as a proxy for fair value.

The fair value for financial assets and liabilities that are not measured at fair value included in level 3 above has been calculated using a discounted cash flow analysis. They 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:

- Applicable interest rate (repayment rates)
- no impairment or early repayment is recognised
- all loans have fixed rates

There has been no change in valuation techniques used and no transfers between levels 2 and 3 during the year.

43. NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS

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 include 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).

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 31 st March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 st March 2017	Estimated maximum exposure to default & uncollectabi lity £000	Estimated maximum exposure at 31 st March 2016
	£000	%	%	£000	£000
Deposits with banks & financial institutions	5,027	-	-	-	-
Bonds	5,277	-	-	-	3,277
Customers	3,770	46.48	39.48	1,488	3,113
Total	14,074	-	-	1,488	6,390

The authority does not generally allow credit for customers, such that £2.399m (£2.469m in 2015/16) of the £3.770m (£3.113m in 2015/16) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2017 £000	31st March 2016 £000
Less than three months	586	694
Three to six months	107	148
Six months to one year	373	323
More than one year	1,333	1,304
Total	2,399	2,469

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	31 st March 2017 £000	31 st March 2016 £000
1 year	2,472	4,926
1 to 2 years	2,231	1,942
2 to 5 years	5,847	6,137
5 to 10 years	13,639	13,496
10 to 15 years	14,762	13,908
15 to 20 years	24,688	22,625
20 to 25 years	24,400	24,600
25 to 30 years	17,000	18,400
30 to 35 years	17,000	17,000
35 to 40 years	6,000	8,200
40 to 45 years	6,000	6,000
45 to 50 years	-	1,200
Total	134,039	138,434

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 2016/17, the upper limit for exposure to variable rate debt was £68.8m (£70.0m in 2015/16).

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

Price Risk

The authority holds some financial instruments whose capital value may fluctuate as a result of market conditions. However these instruments are all kept on a 'hold to maturity' basis and therefore any temporary fluctuations in the market value of these products would have no impact on the authority's finances.

Foreign Exchange Risk

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

44. USABLE RESERVES

	31st March	
	2017 £000	2016 £000
Earmarked Reserves - Capital	1,730	1,630
Earmarked Reserves - Revenue	6,784	8,794
Total Earmarked Reserves (GF)	8,514	10,424
General Fund(GF) Working Balance	1,500	1,500
HRA Working Balance	24,977	20,471
Earmarked Reserves - HRA	342	352
Useable Capital Receipts Reserve	3,475	661
Capital Grants Unapplied	1,124	444
Total Usable Reserves	39,932	33,852

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 24. A detailed breakdown of the Council's earmarked reserves is provided in Note 11. Two further reserves are included in

the balance sheet within the Usable Reserves category and the details of these are shown below:

<u>Usable Capital Receipts Reserve</u>	2016/17 £000	2015/16 £000
Brought forward 1 April	661	700
Additions	7,131	4,238
Pooling liability	(933)	(941)
Financing of capital expenditure	(3,384)	(3,336)
Voluntary repayment of debt	-	-
Carried forward 31 March	3,475	661

<u>Capital Grants Unapplied</u>	2016/17 £000	2015/16 £000
Brought forward 1 April	444	750
Additions	685	233
Transfers (to)/from revenue	(1)	-
Financing of capital expenditure	(4)	(539)
Carried forward 31 March	1,124	444

45. **UNUSABLE RESERVES**

	31st March	
	2017 £000	2016 £000
Revaluation Reserve	26,063	19,179
Capital Adjustment Account	303,005	247,812
Financial Instruments Adjustment Account	(38)	(46)
Pensions Reserve	(63,741)	(60,998)
Deferred Capital Receipts Reserve	176	180
Collection Fund Adjustment Account	(344)	(1,993)
Accumulated Absences Account	(292)	(293)
Total Unusable Reserves	264,829	203,841

46. 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.

	2016/17 £000	2015/16 £000
Balance brought forward 1 st April	19,179	15,419
Revaluation gains	7,927	5,284
Revaluation and impairment losses	(580)	(824)
Amounts t/f to Cap Adj Account (Depreciation)	(387)	(657)
Amounts t/f to Cap Adj Account (Disposals)	(76)	(43)
Balance carried forward 31st March	26,063	19,179

47. 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.

	2016/17 £000	2015/16 £000
Balance brought forward 1st April	247,812	239,734
<u>Reversal of items recognised in the Comprehensive Income & Expenditure Statement</u>		
Property, Plant & Equipment: depreciation charges	(9,716)	(10,410)
Property, Plant & Equipment: net revaluation gains/(losses)	58,786	1,305
Intangible Assets: amortisation charges	(134)	(20)
Revenue expenditure funded from capital under statute	(3,958)	(1,265)
Disposal/derecognition of non-current assets	(8,874)	(5,251)
Gain/(loss) in fair value of investment properties	(2,929)	(4,684)
<u>Amounts transferred from the Revaluation Reserve</u>		
Depreciation adjustment	388	657
Disposal/derecognition adjustment	77	43
<u>Capital financing provisions</u>		
Application of usable capital receipts	3,384	3,336
Application of Major Repairs Reserve	10,049	12,019
Application of revenue balances and direct revenue financing	1,367	4,322
Capital grants/contributions recognised in revenue during the period	4,236	5,111
Application of capital grants unapplied	4	539
Minimum revenue provision	2,513	2,406
Principal repayments - deferred debtors	-	(30)
Balance carried forward 31st March	303,005	247,812

48. **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.

	2017 £000	2016 £000
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	(8)	(4)
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	(8)	(4)
Balance of net (premium)/discount at 1 April	(46)	(50)
Amortised in year	8	4
Balance of net (premium)/discount at 31 March	(38)	(46)

49. **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.

	2017 £000	2016 £000
Balance brought forward at 1st April	(60,998)	(74,921)
Actual gains or losses on pension assets and liabilities	(48)	17,764
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	(7,434)	(8,183)
Employers pension contributions	4,739	4,342
Balance at 31st March	(63,741)	(60,998)

50. 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.

	2017 £000	2016 £000
Balance brought forward at 1st April	180	183
Transfer to Capital Receipts Reserve on receipt of cash	(4)	(3)
Balance at 31st March	176	180

51. 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.

	2017 £000	2016 £000
Balance brought forward at 1st April	(1,993)	(1,840)
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	1,649	(153)
Balance at 31st March	(344)	(1,993)

52. 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.

	2017 £000	2016 £000
Balance brought forward at 1st April	293	193
Settlement or cancellation of accrual made at end of preceding year	(293)	(193)
Amounts accrued at end of current year	292	293
Balance at 31st March	292	293

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

	2016/17 £000	2015/16 £000
Depreciation	48,735	(9,125)
Movement in Fair Value of Investments	25	(14)
(Increase)/decrease in Creditors	392	(667)
Increase/(decrease) in Debtors	(25)	(1,576)
Increase/(decrease) in Stock	(1)	(112)
Movement in Pension Liability	(2,695)	(3,840)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(8,410)	(5,216)
Movement in Investment Property Value	(2,728)	(4,683)
Other non-cash items charged to net surplus/deficit on provision of services	149	(334)
Total	35,442	(25,567)

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

	2016/17 £000	2015/16 £000
Proceeds from sale of PPE, investment properties & intangible assets	7,127	4,234
Capital grants	4,737	5,345
Total	11,864	9,579

55. **CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2016/17 £000	2015/16 £000
Interest received	(386)	(310)
Interest paid	5,283	5,460

56. **CASH FLOW STATEMENT – INVESTING ACTIVITIES**

	2016/17 £000	2015/16 £000
Purchase of non-current assets	14,103	24,977
Purchase of short term and long term investments	15,512	8,000
Proceeds from sale of non-current assets	(7,131)	(4,237)
Proceeds from short term and long term investments	(7,000)	(21,608)
Other receipts from investing activities	(5,592)	(5,331)
Net cash flows from investing activities	9,892	1,801

57. **CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	2016/17 £000	2015/16 £000
Cash receipts of short and long term borrowing	(2,400)	(2,500)
Repayments of short and long term borrowing	4,415	4,887
Other payments for financing activities	(2,730)	(336)
Net cash flows from financing activities	(715)	2,051

58. **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 Note 20 on grant income.

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 2016/17 is shown in Note 19. In addition, the Council paid grants totalling £248,079 to voluntary organisations in which 10 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.

Other Arrangements

The Authority is a Non-constituent Council in the Sheffield City Region Combined Authority which came into being on 1st April 2014. It consists of 9 local authorities who are working together to promote strategic economic development. It is also a partner in the Sheffield City Region Local Enterprise Partnership which has similar objectives.

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.

59. BOLSOVER, CHESTERFIELD & NORTH EAST DERBYSHIRE DISTRICT 'COUNCIL'S 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 £20,000.00 (£20,000 in 2015/16).

The Council's proportion of the consortium's net surplus at the 31st March 2017 is £7,320 (£7,320 at 31st March 2016).

60. 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
2016/17	55%	31%	14%
2015/16	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

2015/16 Net Expenditure £000		2016/17		
		Expenditure £000	Income £000	Net Expenditure £000
(287)	Health & Wellbeing	1,094	(909)	185
(287)	Net Cost of Service	1,094	(909)	185

Balance Sheet

2015/16 £000		2016/17 £000
	<u>Long Term Assets</u>	
1,278	Other Land & Buildings	1,264
9	Vehicles, Plant, Furniture & Equipment	22
-	Assets under Construction	-
138	Investment Properties	138
	<u>Current Assets</u>	
1	Stock	1
105	Debtors	146
1,065	Cash	930
	<u>Current Liabilities</u>	
(59)	Creditors	(419)
	<u>Long Term Liabilities</u>	
749	Pension Scheme Assets	883
(1,073)	Pension Scheme Liabilities	(1,354)
2,213	Net Assets	1,611
180	Revaluation Reserve	180
1,230	Capital Adjustment Account	1,230
(324)	Pensions Reserve	(471)
715	Earmarked Reserves	510
412	Balances – Revenue Surplus	162
2,213	Total Reserves	1,611

61. 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
2016/17	(3)	5	63
2015/16	(3)	4	62

62. THE ARVATO PARTNERSHIP

2016/17 is the seventh 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 2017 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2017/18	4,926
Payable within two to five years	12,786
Total	17,712

63. CONTINGENT LIABILITIES

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2017. Further appeals against valuations on the 2017 valuation list may be received in future years. The value of the liability cannot be estimated for unknown claims which have not yet been received.

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.

British Gas

The Authority is a defendant in proceedings brought by British Gas regarding unpaid invoices. In the current litigation the Council faces a claim of £50,000 for outstanding invoices plus costs of up to £65,000.

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	2016/17 £000	2015/16 £000
<u>Income:</u>			
Dwellings Rents	1	36,988	38,226
Charges for Services and Facilities		458	580
Non-Dwelling Rents		664	665
Contribution towards Expenditure		500	523
Total Income		38,610	39,994
<u>Expenditure:</u>			
Supervision & Management : General		5,798	5,737
Special		2,105	2,436
Rents, Rates, Taxes & Other Charges		486	486
Repairs and Maintenance		8,813	8,941
Depreciation & Impairment of non-current assets	4	(50,878)	4,837
Debt Management Costs		49	57
Movement in the allowance for bad debts		300	295
Total Expenditure		(33,327)	22,789
Net Expenditure/(Income) of Services as included in the Comprehensive Income & Expenditure Statement			
HRA share of Corporate & Democratic Core		29	24
Net Expenditure/(Income) for HRA Services			
HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement			
(Gain)/Loss on Disposal of HRA non-current assets		1,118	1,121
HRA share of interest payable & similar charges		5,067	5,223
Interest & Investment Income		(223)	(173)
Share of D.L.O./D.S.O. Surplus		(169)	-
Change in Market Value of Investment Properties		(201)	-
Income & Expenditure re Investment Properties		(75)	(104)
(Surplus)/Deficit on HRA Services		(66,391)	(11,114)

Movement on the HRA Statement	2016/17 £000	2015/16 £000
Balance on HRA at end of previous year	(20,471)	(18,026)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	(66,391)	(11,114)
Adjustments between accounting basis and funding basis under statute (note 9)	61,930	8,673
Net (Increase)/Decrease before transfers to or from reserves	(4,461)	(2,441)
Transfers to/(from) reserves	(45)	(4)
(Increase)/decrease in year on HRA	(4,506)	(2,445)
Balance on HRA at end of current year	(24,977)	(20,471)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,345 dwellings available for rent during 2016/17. 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, £906,730 (2.45%) of rental income was lost due to vacant properties, in 2015/16 the figure was £809,745 (2.12%). The average weekly rent in 2016/17 was £83.74 (48 week year), a decrease of £0.84 (1.0%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2017 was as follows:

	31 Mar 17	31 Mar 16
Houses	4,716	4,808
Flats & maisonettes	3,208	3,257
Bungalows	1,395	1,395
Others	26	27
Total	9,345	9,487

The number of properties sold under the 'Right to Buy' legislation in 2016/17 was 103 (68 in 2015/16).

3. RENT ARREARS

Rent arrears at the year-end totalled £2,310,765. This compares with £2,557,300 at 31st March, 2016. A provision of £1,258,823 (£1,196,959 in 2015/16) 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 2017 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 2016 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2017 £000	As at 31st March 2016 £000
Council Dwellings	343,059	281,712
Other Land & Buildings	4,054	2,594
Vehicles, Plant, Furniture & Equipment	10	30
Assets Under Construction	824	201
Surplus Assets Not Held for Sale	1,108	1,108
Investment Property	4,525	4,390
Investment Property Held for Sale	43	158
Total	353,623	290,193

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 Existing Use Value – Social Housing (EUV-SH) is therefore less than the Open Market Value (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, 2016 was £816m (£793m 1st April 2015). 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 OMV of the stock to EUV-SH for inclusion in the balance sheet was increased from 34% to 42% with effect from 1st April, 2016.

5. HRA CAPITAL EXPENDITURE & FINANCING

Capital Expenditure		Capital Financing	
	£000		£000
Council Dwellings	12,740	Borrowing	-
Assets Under Construction	141	Capital Receipts Reserve	2,832
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	10,049
REFCUS	-	Grants & Contributions	-
		Revenue Balances & Direct Revenue Financing	-
Total	12,881		12,881

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2016/17 £000	2015/16 £000
Council Dwellings	4,735	3,268
Other Land & Property	509	567
Total	5,244	3,835

7. DEPRECIATION

HRA Depreciation	2016/17 £000	2015/16 £000
Council Dwellings	7,486	7,171
Other Land and Buildings	84	87
Surplus Assets Not Held for Sale	-	-
Vehicles, Plant, Furniture and Equipment	3	10
Total	7,573	7,268

8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

Any revaluation/impairment losses (or reversals of past revaluation/impairment losses), amounts in respect of Revenue Expenditure Funded From Capital Under Statute (net of related grant income) 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	2016/17 £000	2015/16 £000
Council Dwellings	(58,457)	(2,431)
Other Land and Buildings	(1,038)	-
Surplus Assets Not Held for Sale	-	-
Revaluation and Impairment Losses	(59,495)	(2,431)
Movements in the fair value of investment property	(201)	-
Total	(59,696)	(2,431)

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2016/17 £000	2015/16 £000
Net gain/(loss) on sale of HRA non-current assets	(1,118)	(1,121)
HRA share of contributions to or from the Pensions Reserve	(126)	(263)
Capital expenditure funded by the HRA	-	3,097
Transfer to/(from) Major Repairs Reserve	2,470	2,473
Movement in Market Value of Investment Properties (note 8)	201	-
Transfer to/(from) Capital Adjustment Account (note 8)	58,457	2,431
Voluntary Repayment of Debt	2,046	2,077
Short Term Accumulated Absences	-	(21)
Total Adjustments	61,930	8,673

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.

2015/16		2016/17		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
	<u>Income</u>			
(43,192)	Council Tax (Note 1)	-	(45,161)	(45,161)
(36,877)	Business Rates (Note 2)	(37,222)	-	(37,222)
(80,069)		(37,222)	(45,161)	(82,383)
	<u>Expenditure</u>			
	Apportionment of Previous Year Surplus/(Deficit)			
(936)	Central Government	(2,314)	-	(2,314)
(679)	Chesterfield Borough Council	(1,852)	68	(1,784)
321	Derbyshire County Council	(417)	485	68
11	Derbyshire Fire Authority	(46)	30	(16)
76	Derbyshire Police & Crime Commissioner	-	75	75
(1,207)		(4,629)	658	(3,971)
	Precepts, Demands & Shares			
18,316	Central Government	18,521	-	18,521
19,035	Chesterfield Borough Council	14,855	4,642	19,497
34,425	Derbyshire County Council	3,334	32,941	36,275
2,305	Derbyshire Fire Authority	370	2,013	2,383
4,823	Derbyshire Police & Crime Commissioner	-	5,006	5,006
78,904		37,080	44,602	81,682
	Charges to Collection Fund			
1,072	Write offs of uncollectable amount	-	-	-
512	Transitional Protection Payments	34	-	34
849	Increase/(Decrease) in bad debt provision (Note 5)	514	155	669
125	Increase/(Decrease) in provision for appeals (Note 6)	(130)	-	(130)
165	Cost of Collection Allowance	164	-	164
351	(Surplus)/Deficit arising during year	(4,189)	254	(3,935)
4,068	(Surplus)/Deficit Brought Forward	5,181	(762)	4,419
4,419	(Surplus)/Deficit as at 31st March (Notes 3 & 4)	992	(508)	484

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	31	5/9	17
A	16,625	6/9	11,083
B	8,256	7/9	6,422
C	5,326	8/9	4,734
D	3,360	9/9	3,360
E	1,656	11/9	2,024
F	496	13/9	717
G	193	15/9	322
H	12	18/9	23
Totals	35,955		28,702
Less adjustment for collection rate			(430)
Council Tax Base			28,272

The basic amount of Council Tax for a Band D property was £1,563.31 (£1,508.76 2015/16).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (49.7p in 2016/17 and 49.3p in 2015/16) 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 48.4p for 2016/17 (48.0p in 2015/16).

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 2017 was £96,547,611 (£90,095,630 as 31st March 2016).

With effect from 1st April 2015, the Council became a member of the Derbyshire Business Rates Pool which is administered by Derby City Council. The advantage of the pool is that it creates an opportunity to generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

Under the accounting arrangements for the Derbyshire Pool, instead of each authority paying a proportion of their growth in business rates above a baseline to central government, it pays this levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. The levy paid in 2016/17 was £530,486 and the redistributed growth received was £371,915.

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 £367,981 was assumed when setting the Council Tax for 2017/18. The additional surplus of £140,084 will be recovered in the tax calculation for 2018/19.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2017 £000	2016 £000
Derbyshire County Council	375	561
Derbyshire Police & Crime Commissioner	57	87
Derbyshire Fire Authority	23	35
Chesterfield Borough Council	53	79
Council Tax (Deficit)/Surplus	508	762

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 2018/19 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. A deficit of £266,065 was assumed in the calculation of business rate income in 2017/18. The additional deficit of £725,969 will be recovered in the income calculation for 2018/19.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH		
	Proportionate Share	2017 £000
Derbyshire County Council	9%	(89)
Derbyshire Fire Authority	1%	(10)
Central Government	50%	(496)
Chesterfield Borough Council	40%	(397)
Council Tax (Deficit)/Surplus	100%	(992)

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	635	(453)	514	696
Council Tax	2,262	(274)	154	2,142
Total	2,897	(727)	668	2,838

6. **PROVISION FOR APPEALS – BUSINESS RATES**

Businesses can appeal against their rateable value, set by the Valuation Office Agency and any successful appeals must be met from the Collection Fund. A provision has been established to recognise this liability.

The movement on the appeals provision is shown below:

COLLECTION FUND – APPEALS PROVISION			
Brought Forward	Applied in year	Contribution to provision in year	Carried Forward

£000	£000	£000	£000
4,644	(1,118)	989	4,515

7. 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 £403,965 parish precepts (Staveley £356,293 and Brimington £47,672).

AUDITORS REPORT (Covering pages 22 - 110)

Expected by 30th September 2017

This page is intentionally left blank

For publication

General Fund Budget Outturn Report 2016/17

Meeting:	Council Cabinet
Date:	19 th July 2017 27 th June 2017
Cabinet portfolio:	Deputy Leader of the Council
Report by:	Director of Finance & Resources

For publication

1.0 **Purpose of report**

- 1.1 To report on the General Fund Revenue and Capital Outturns for 2016/17, provide details of significant variations from the revised estimates and to consider carry forward requests.

2.0 **Recommendations**

Cabinet:

- 2.1 That the General Fund Revenue and Capital Outturn reports for 2016/17 be noted.
- 2.2 That the £100k revenue account surplus be transferred to the Budget Risk Reserve.
- 2.3 That the General Fund carry forward requests be considered (para 4.8).

- 2.4 That the request for retention of DLO surpluses of £90,000 be considered (para 5.2).
- 2.5 That the level of General Fund Reserves and Balances (Section 6 and Appendix D) be approved.
- 2.6 That the capital financing arrangements set out in Appendix E be approved.

Full Council:

- 2.7 Notes the report.

3.0 Background

- 3.1 This report includes details of the General Fund revenue account and the collection fund outturns, plus a summary of the General Fund Capital Programme. 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 2016/17 Statement of Accounts.
- 3.2 The external audit of the accounts is due to start in August. 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 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 General Fund or the Budget Risk Reserve and any deficit will be met from the Budget Risk Reserve.

4.0 General Fund Revenue

- 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 **£100k** in the year compared with:
- a) The **original** February 2016 budget forecast - £236k deficit.
- b) The **revised** February 2017 budget forecast - £105k surplus.
- 4.2 Details of the variances that contributed towards the overall £341k reduction from the original deficit forecast to the revised forecast surplus were included in the budget report to the Cabinet on 21st February 2017.
- 4.3 The outturn surplus is only £5k below the revised February 2017 budget forecast. A summary of the most significant variances is included in **Appendix B**.
- 4.4 Further work has been undertaken 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.
- 4.5 There are material variances on Asset Charges on some of the portfolios (investment properties) due to valuation adjustments for balance sheet purposes; Economic Growth +£5.5m (shops, trading estate), Town Centre/Visitor Economy -£1.5m (Vicar lane, Pavements) and Health & Wellbeing -£1.1m. 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) which shows an increased income of £2.9m. There is, therefore, no bottom-line impact from these valuation adjustments.

4.6 There is one **carry forward request** to consider. Fuller details of this request are included at **Appendix E**. The table below provides a summary of the request with a recommendation from the Senior Leadership Team (SLT).

Table 1 – Carry Forward Requests				
Portfolio	Service	Description	Amount	SLT recommendation
Health & Wellbeing	Tidy Streets	Noise monitoring equipment	2,000	approve
Total	Carry f/wds		£2,000	

5.0 DLO/DSO's

5.1 A summary of the DLO/DSO surpluses/deficits and the proposed distribution is shown in the table below:

Table 2 – DLO/DSO Outturns					
	Surplus / (Deficit)	Retained in the service	To HRA	To Gen Fund	To Budget Risk Reserve
	£	£	£	£	£
Building Maintenance	258,775	90,000	168,775	-	-
Spirepride	199,615	-	-	199,615	-
Building Cleaning	33,486	-	-	-	33,486
Security Services	5,826	-	-	-	5,826
Total	497,702	90,000	168,775	199,615	39,312

5.2 Members are requested to consider the retention of an element of the Building Maintenance surplus (£90,000) within the service. The table below provides a summary of the requests with a recommendation from the Senior Leadership Team (SLT).

Table 3 – Retention Requests		
Description	Amount	SLT recommendation

Purchase of Cherry Picker	15,000	Approve (subject to Business Case)
COINS – costing system	15,000	Approve (subject to Business Case)
COINS – stores upgrade	15,000	Approve (subject to Business Case)
Purchase of JCB	30,000	Approve (subject to Business Case)
Tarmac & Drainage Equipment	15,000	Approve (subject to Business Case)
Total	£90,000	

5.3 Details of these requests are shown below:

- **Cherry Picker** – OSD currently hire a Cherry Picker when required. The purchase of this equipment would pay for itself within 1 year releasing savings in future years.
- **COINS costing system** – this would fund the development of a costing system so that financial performance can be more accurately monitored.
- **COINS stores upgrade** – to fund an upgrade to the stores module of the system.
- **JCB** – A JCB is used at the Stonegravels depot to load glass, materials and waste. The existing vehicle is approaching the end of its working life and so a replacement is required to avoid expensive hire costs.
- **Tarmac & Drainage Equipment** – OSD currently hire equipment of tarmac and drainage works. The purchase of this equipment would generate savings for OSD. The request includes an element for training of operatives in the safe and efficient use of the new equipment.

6.0 General Fund Balances & Reserves

6.1 The table below (revised budget February 2017) shows a summary of the General Fund Reserves and Provisions; more detail is provided in **Appendix C**. Please note that the summary of useable reserves in the table below excludes the **General Working Balance** of £1.5m.

Table 4 – General Fund Reserves & Provisions 2016/17			
Reserve	Opening Balance £'000	Closing Balance £'000	Revised Forecast £'000
Budget Risks Reserve	1,043	446	601
Invest-to-Save Reserve	274	252	153

Service Improvement Reserve	989	614	459
Other Earmarked Reserves	5,351	5,199	3,687
Provisions	1,837	1,678	1,320
Total Reserves & Provisions	9,494	8,189	6,220

6.2 Overall the level of reserves and provisions are £2.0m above the revised budget forecast estimate due mainly to changes in the ICT Reserve, Vehicles & Plant Reserve, Insurance and Transport Company Pension Provisions and the DSO/DLO Reserve. Further details are provided below.

6.3 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 below the revised budget forecast by £170k, due to the re-profiling of existing commitments and the additional costs of VR/VER incurred at the end of 2016/17 (including late DCC pension figures) after the revised budget was set.

Table 5 – Budget Risk Reserve		
	Outturn	Revised Budget
	£'000	£'000
Balance b/fwd 1st Apr 2016	1,043	1,043
<u>Movements In 2016/17:</u>		
Land Charges claims/costs	(8)	(16)
Local Plan professional fees carry forward	(12)	(16)
Dilapidation costs – Whitting Valley	(16)	(17)
Health & Safety prosecution	(25)	(25)
Erin Road Pumping Station	(6)	(7)
Group litigation – postal services	(1)	(7)
PSN Compliance costs	(79)	(79)
VR/VER's	(655)	(444)
Reimbursement from savings - IDOX	30	30
Transfers from other reserves & balances	36	36
DSO Surpluses	39	tbc
Add: budget surplus in 2016/17	100	105
Balance c/fwd 31st Mar 2017	446	603

<u>Outstanding Commitments:</u>		
Group litigation – postal services	(6)	-
Further Land Charges costs	(7)	-
Public Sector Stock Condition	(26)	(26)
Reimbursement from savings – IDOX (future years)	69	69
Uncommitted Balance	476	646

6.4 Invest-to-Save Reserve

The table below shows details of the movements and commitments on the reserve. The main issue to note is that the reserve is almost fully committed.

Table 6 - Invest-to Save Reserve		
	Outturn £'000	Revised Budget £'000
Balance b/fwd 1st Apr 2016	274	274
<u>Movements In 2016/17:</u>		
Car Park Improvements	(22)	(22)
Balance c/fwd 31st Mar 2017	252	252
<u>Outstanding Commitments:</u>		
Local Collective Agreement	(10)	(10)
Car park improvements	(89)	(89)
Property Fund Selection Service	(7)	(7)
Budget Savings Delivery Fund	(40)	(40)
Uncommitted Balance c/fwd	106	106

6.5 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
Balance b/fwd 1st Apr 2016	989	989
<u>Movements In 2016/17:</u>		
Linacre Master Planning	(20)	(20)
Town Hall improvements	(129)	(135)
Savings delivery support	(28)	(28)
HLC – admin space reconfiguration	(46)	(46)
TPIC/DIC digital connectivity	(179)	(179)

Market Hall café refurbishment	(7)	(7)
TPIC/DIC - 2016/17 Repayment	34	34
Balance c/fwd 31st Mar 2017	614	608
<u>Outstanding Commitments:</u>		
Car parking improvements	(15)	(15)
Budget Savings Delivery Fund	(82)	(82)
TPIC/DIC telephony system - rev	(24)	(24)
Market Hall café refurbishment	(66)	(66)
Northern Gateway	(100)	(100)
Linacre Master Planning	(19)	(19)
HS2 Project Officer	(100)	-
TPIC/DIC – Repayment (future years)	111	76
Uncommitted Balance	319	378

- 6.6 The uncommitted balance has reduced due to the new commitment for HS2 Project Officer (£100k) approved by Cabinet and the final repayment from TPIC/DIC.
- 6.7 **Other Earmarked Reserves** - these reserves are held for specific purposes. The total balance on these reserves increased by £1.5m, over the revised forecast for the financial year 2016/17. The most significant changes include:
- ◆ Vehicle & Plant - £651k above the revised forecast due to reduced expenditure.
 - ◆ DSO/DLO - £278k above the revised estimate due to slippage on expenditure, with expenditure expected in 2017/18
 - ◆ Local Development Plan - £80k above revised estimate due to delay in spend
 - ◆ ICT - £375k higher than forecast due to reduced expenditure with expenditure expected in 2017/18
 - ◆ Theatre Restoration - £77k higher than estimate due to slippage on the planned capital scheme spending on lifts
- 6.8 **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 reviewed late in April 2017 by the County Council’s pension fund actuary who recommended

increasing the provision by £300k to £1.2m by March 2020. A £100k increase to the provision was made in 2016/17.

- b) Insurance Provisions – A review of the insurance provision and reserves was undertaken in 2016 and the changes required were implemented as part of the budget process in February 2017.
- c) MMI Claw-back Provision – this is the amount set aside to cover reported claims.

6.9 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 & Financing

7.1 **Appendix D** provides details of the total General Fund Capital Programme expenditure and financing for the financial year.

7.2 Actual expenditure on schemes was £4.7m compared with the original budget for the year of £2.3m (as at Feb 2016) and £7.7m at the revised budget stage (February 2017). The main reasons for the variance from the revised budget (-£3.0m) include:

- Overspends on:
 - Waterside (£473K) – phasing of the budget with more work up front than expected
- Underspends on:
 - Waterside loan (£2,400k) – works for which SCR loan was provided have not started. The loan is under review and may no longer be required
 - Vehicle & Plant (£383k)
 - Home Repair Assistance (£175k)
 - Disabled Facilities Grants (£181k) – but the underspend is fully committed and will be spent in 2017/18
 - Town Hall alterations (£141k) due to small delays

7.3 On the financing side, the main reasons for the reduction were:

- Loan for Waterside of £2.4m not drawn down due to delayed start of scheme
- Vehicle & Plant Fund contribution down by £360k, to reflect the reduction in expenditure
- Capital receipts not utilised for repayment of prudential borrowing (£1.2m) subject to a full review of the capital programme

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 1 st April	-	661*	661
Add: Receipts in the year	1,887	5,243	7,130
Less: Housing receipts 'Pooled'	-	(933)	(933)
Less: Applied to repay debt	-	-	-
Less: Applied to finance GF cap ex	(532)	-	(532)
Less: Applied to finance HRA cap ex	-	(2,852)	(2,852)
Balance c/fwd 31st March	1,355	2,119*	3,474

* The Housing balance of £2,119k includes the retained 'one-for-one' element of RTB receipts of £1,812k.

8.2 The table below summarises the movements over the financial year. The actual amount achieved was on target with the revised budget:

Table 9 – General Fund Capital Receipts	
	Amount (£m)
Original Budget Forecast – start of year	1.8
Revised Budget Forecast – Feb 2017	1.9
Actual	1.9

8.3 The target receipts figure for 2017/18 is significant at £2.4m. Two months into 2017/18 just £49k has been received so the target may be challenging to achieve in year due to the timings of property and land sales that can be difficult to accurately predict. A revised forecast will be produced at the end of Quarter 1.

9.0 Collection Fund Surpluses/Deficits

- 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 £508,065. A surplus of £367,981 was estimated when setting the Council Tax for 2016/17. The increase in the surplus will be carried forward to the tax calculation exercise for 2018/19. The Council's share of the increased surplus, at 10.4%, will be £14,527.
- 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. A deficit of £266,065 was assumed in the calculation of business rate income for 2017/18. The outturn balance is a deficit of £992,034. This increased deficit was a result of a high number of appeals being lodged in the final few weeks of the financial year for which a provision had to be made. The additional deficit will be recovered in the income calculation for 2018/19. The Council's share is £290k (i.e. £726k x 40%).
- 9.4 A sum of £250k was transferred into the Business Rate Reserve as part of the budget setting process in February 2017 and can be used to offset this deficit.

10.0 Conclusions and Implications for the Medium Term

- 10.1 The medium term financial outlook gets progressively challenging as the cumulative effect of cuts in Government funding (Revenue Support Grant and New Homes Bonus) are realised. The Cabinet budget forecasts approved in February 2017 show deficits (with planned savings in the early years) of:

- £0.2m in 2017/18;
- £0.5m in 2018/19;
- £1.2m in 2019/20;
- £1.7m in 2020/21; &
- £1.6m in 2021/22.

A longer term Financial Strategy to balance the deficits will be developed in 2017/18.

10.2 The medium term forecast will have to be updated to reflect the impact of budget variances recorded in 2016/17 and early in 2017/18 (energy cost and business rates cost increases) that could be of a recurring nature in the short term. These 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:

- The introduction of the Business Rates Retention Scheme in April 2013 transferred some significant financial risks to local government. The risks include the cost of backdated Business Rate appeals and the growth or decline in the Business Rate base due to re-valuations, claims for mandatory reliefs, etc. As we have seen in the first few years of the scheme it is difficult to predict the net income due to the Council even for just one year ahead and this becomes even more difficult over a longer horizon.
- Delays in approvals and delivery of the required budget savings in future years.
- Inflationary pressures from pay, energy and our cost base.
- Any further unforeseen changes in Government policy

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

- A number of material variances occurred in 2016/17, both positive and negative. It is evident that continuous monitoring of budget(s) is needed to ensure that such variances are declared earlier in the budget process in the future. In 2017/18, Finance will be monitoring and challenging budgets more frequently through the year.

- The Council has been able to balance the General Fund with a £100k surplus in 2016/17 in financial challenged times. However the surplus only represents 0.1% of net expenditure and thus the Council's finances are finely balanced.
- The Council continues to be exposed to risks due the wide range of services it provides and reliance on income from rents, fees and charges. Council Tax and Business Rates provide a limited and constrained opportunity for income growth. The Council is continuing to develop strategies to maintain and grow income.
- The working balance is being maintained at £1.5m. In addition, adequate 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 will in the coming months review its Capital and Treasury Management to manage the commitments for future capital investment e.g. (Saltergate Car Park, IT/PPP investment and other capital schemes). These projects will need to be funded by identifying further capital receipts or PWLB borrowing (with borrowing costs falling on the General Fund) whilst monitoring the impact of these decisions on our exempt VAT recovery position.
- The Cabinet will receive regular updates on both the revenue and capital budgets to ensure that the financial risks are being effectively managed.

11.0 Recommendations

Cabinet:

- 11.1 That the General Fund Revenue and Capital Outturn reports for 2016/17 be noted.
- 11.2 That the £100k revenue account surplus be transferred to the Budget Risk Reserve.
- 11.3 That the General Fund carry forward requests be considered (para 4.8).

- 11.4 That the request for retention of DLO surpluses of £90,000 be considered (para 5.2).
- 11.5 That the level of General Fund Reserves and Balances (Section 6 and Appendix D) be approved.
- 11.6 That the capital financing arrangements set out in Appendix E be approved.

Full Council:

- 11.7 Notes the report.

12.0 Reason for Recommendations

- 12.1 In the interest of sound financial management.

Decision information

Key decision number	725
Wards affected	All
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Helen Fox Chief Accountant	helen.fox@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix A	General Fund Outturn 2016/17
Appendix B	2016/17 Variance Analysis
Appendix C	General Fund Reserves & Provisions
Appendix D	General Fund Capital Programme

Appendix E	Carry Forward request
------------	-----------------------

Form to return to Democratic Services with report (will be removed before publication)

Officers/members consulted on the report	
Chief Executive (WBR)	<input checked="" type="checkbox"/>
Monitoring officer	<input type="checkbox"/>
Chief finance officer	<input checked="" type="checkbox"/>
Policy manager	<input type="checkbox"/>
Human resources manager	<input type="checkbox"/>
Cabinet member portfolio holder (and consultee cabinet member if applicable)	<input type="checkbox"/>
Comments from Cabinet Member (if applicable)	

APPENDIX A

GENERAL FUND OUTTURN 2016/17

	Original £	Revised £	Outturn £	Variance Rev'd- Out £
Deputy Leader	691,170	709,550	722,590	13,040
Economic Growth	(234,980)	(483,710)	5,072,095	5,555,805
Town Centre & Visitor Economy	(300,510)	(618,330)	(2,028,415)	(1,410,085)
Health & Wellbeing	7,955,840	6,937,510	5,873,608	(1,063,902)
Customers & Communities	2,024,550	2,132,290	2,010,513	(121,777)
Finance & Governance	3,629,370	3,834,790	3,704,668	(130,122)
Business Transformation	236,260	543,760	518,499	(25,261)
Other:				
Other Income	0	(44,949)	(56,180)	(11,231)
Savings proposals 2016/17	(1,051,000)	0	0	0
less allowance for delay etc	378,600	0	0	0
Savings 'Stop or Reduce' Programme	(200,550)	0	0	0
GP:GS	(156,470)	134,900	0	(134,900)
Staff vacancies allowance	(150,000)	0	0	
Share of Internal Audit Surplus	0	(17,400)	(19,255)	(1,855)
Share of Crematorium Surplus	(268,290)	(268,290)	(405,580)	(137,290)
Spirepride Surplus	(75,000)	(148,000)	(199,615)	(51,615)
Trading Surplus	0	(5,000)	(4,724)	276
Living Wage/Holiday Pay on overtime	85,000	0	0	0
Other incl bad debt provision	50,000	40,000	3,403	(36,597)
Total Service Expenditure	12,613,990	12,747,121	15,191,607	2,444,486

Interest & capital charges	(2,058,360)	(1,764,470)	(4,357,069)	(2,592,599)
Contributions from Service Improvement Reserve	25,320	(162,900)	(66,393)	96,507
Contributions from Budget Risk Reserve	0	(338,400)	(499,714)	(161,314)
Contributions to Renewals Fund	146,000	146,000	146,000	0
To/(from) Transport Co Pension Reserve	0	0	100,000	100,000
To/from Reserves	0	0	592	592
Surplus/(Deficit) - to/(from) reserves	(236,411)	105,264	99,661	(5,603)
NET EXPENDITURE	10,490,539	10,732,615	10,614,684	
Financed By:				
RSG	1,836,074	1,836,074	1,836,074	
Business Rates Baseline	3,087,390	3,087,390	3,087,390	
Settlement Funding	4,923,464	4,923,464	4,923,465	
Retained Business Rates Growth	659,320	856,365	95,888	
Business rate pooling	412,000	450,000	371,915	
S31 Business Rate Relief Grants	0	0	720,630	
Council tax support grants to parishes	(46,301)	(46,301)	(46,301)	
Council Tax Fund Surplus/(Deficit)	68,221	68,221	68,221	
Business Rates Fund Surplus/(Deficit)	(1,851,506)	(1,851,506)	(1,851,506)	
Contrib'n (to)/from Business Rate Res.	1,185,568	1,185,568	1,185,568	
New Homes Bonus	902,146	909,177	909,177	
Council Tax	4,237,627	4,237,627	4,237,627	
TOTAL FINANCING	10,490,539	10,732,615	10,614,684	

BR Growth Retention:			
Growth rate			
CBC 40% share of income	14,816,238	15,129,446	14,816,238
Less tariff	(11,141,329)	(11,141,329)	(11,141,329)
Add s31 grant re SBRR	580,483	649,508	0
Add s31 grant re other reliefs	19,739	22,540	0
Gross income before levy	4,275,131	4,660,165	3,674,909
Less Baseline Funding	(3,087,390)	(3,087,390)	(3,087,390)
Growth	1,187,741	1,572,775	587,519
Levy	(593,870)	(786,388)	(530,485)
Adjs to Levy & Tariff	(177,478)	(177,478)	0
Retained BR re renewable energy	12,100	12,100	38,854
Grant re Multiplier Cap	230,827	235,356	0

BR Growth Retained above Baseline	659,320	856,365	95,888
Add Baseline Funding	3,087,390	3,087,390	3,087,390
Total BR Income Retained	3,746,710	3,943,755	3,183,278

APPENDIX B

2016/17 VARIANCE ANALYSIS - REVISED TO OUTTURN (adjusted for movements in reserves)

Category	Description	Amount (Favourable)/ Adverse £'000	Amount (Favourable)/ Adverse £'000
Deputy Leader	Development Control – reduced planning fees	16	16
Economic Growth	Innovation Centres – reduced rent income	34	
	Industrial Estates – reduced rent income	88	
	HRA – increased contributions to General Fund	(48)	74
Town Centre/Visitor Economy	Car Parking – reduced fee income	75	
	Civil parking Enforcement – increased charge from DCC	14	
	Market Hall – increased energy costs	11	
	Pomegranate Theatre – increased income	(18)	
	Pavements Centre – reduced rent income	70	152
Health & Wellbeing	Food Safety – increased Health & Safety prosecution costs	16	
	Sports Centres – staffing/energy/income (net)	(50)	
	Waste Collection – increased income	(23)	(57)
Customers & Communities	Drain Clearing – reduced income	12	
	Cost of Collection – increased costs	17	
	Housing Benefits – subsidy/fraud (net)	(68)	(39)
Finance & Governance	Financial Services – reduced staffing/banking costs	(17)	(17)
Business Transformation	HR/Payroll – reduced cost of Occupational Health/training	(16)	(16)
Sub-total - controllable budget variances			113
Non-Portfolio Budgets	Crematorium surplus	(137)	
	SpirePride surplus	(52)	
	Contribution to bad debt provision	(37)	
	Retained business rates - growth	40	
	Business rates - pooling	78	(108)
Overall Outturn Variance			5

Reconciliation to totals	Surplus - Outturn		(100)
--------------------------	-------------------	--	-------

	Surplus – Revised Budget		(105)
	Change in surplus		5

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	750	875	224
	Wheelie Bin Replacements	99	32	49
3241	Property Repairs	783	553	530
3244	Asset Management	17	16	-
3395	DSO/DLO	364	405	127
3263	Museum Exhibits	25	25	25
3264	Planning LDF Review	260	240	160
3265	Flooding Restoration Fund	74	74	29
3378	MMI Clawback Reserve	366	365	364
3380	ICT	132	375	-
3390	Insurance - claims not yet reported	567	597	597
3418	Theatre Restoration	191	269	192
3372	Repaid Improvement Grants	255	234	250
3399	Retained Business Rates	1,438	502	503
3417	STWA tenants consultation	30	30	30
3419	General Fund Deficit Reduction	-	407	407
3243	Northern Gateway	-	200	200
	Earmarked Reserves	5,351	5,199	3,687
3388	Budget Risk	1,043	446	409
3389	Invest to Save	274	252	20
3412	Service Improvement	989	614	891
	Reserves Total	7,657	6,511	4,900

3237/8	Insurance - reported claims	837	667	409
3247	MMI Claw-back	87	20	20
3239	Transport Co. Pensions	913	991	891
	Provisions Total	1,837	1,678	1,320

	Reserves & Provisions Total	9,494	8,189	6,220
--	--	--------------	--------------	--------------

GENERAL FUND CAPITAL PROGRAMME 2016/17

	Original £'000	Revised £'000	Actual £'000	Variance Rev to Act £'000
<u>CAPITAL EXPENDITURE:</u>				
Doe Lea Flood Resilience Work		90	0	(90)
Brampton Flood Resilience Work	240	247	202	(45)
IT Strategy (from ICT Reserve)	13	8	0	(8)
Northern Gateway – Saltergate MSCP refurbishment		50	238	188
Streetworks/Env Improvements		15	0	(15)
Peak Resort			785	785
Vehicles & Plant (V&P Reserve)	183	395	12	(383)
Home Repairs Assistance	275	275	100	(175)
Disabled Facilities Grants	650	952	771	(181)
HLC Admin area redesign		46	51	5
Pavements refurbishment		0	370	370
Market Hall Refurbishment		11	11	0
Winding Wheel lift upgrade		95	2	(93)
Erin Road Pumping Station		7	6	(1)
Car Parks - Ticket Machines	173	100	69	(31)
Building Maintenance - IT System		13	0	(13)
Chesterfield Museum store		114	5	(109)
Market Hall cafe		72	7	(65)
Waterside - loan		2,400	0	(2,400)
Waterside		1,620	2,093	473
Queen's Park Sports Centre - New Build		308	344	36
Queen's Park Sports Centre - Demolition	92	200	252	52
Town Hall Alterations (GPGS)	406	436	295	(141)
Replacement of Winding Wheel Boilers		4	4	0
Whitebank Sportsground Improv's (Cap)		3	4	1
CBC Innovation Centres ICT Upgrade	273	273	280	7
Total – capital expenditure	2,305	7,734	5,901	(1,833)
Less Schemes excluded from Capital Programme				
Peak Resort			(785)	
Pavements refurbishment			(370)	
Grand Total	2,305	7,734	4,746	

	Original £'000	Revised £'000	Actual £'000	Variance Rev to Act £'000
<u>CAPITAL FINANCING</u>				
Loan - Waterside		2,400	0	(2,400)
Grants & Contributions - see below	960	3,003	3,270	267
Capital Receipts	1,779	2,457	1,887	(570)
ICT Reserve	13	8	0	(8)
TPIC Property Reserve	100	100	100	0
Revenue Contributions (various)			11	11
Vehicle & Plant Reserve	183	395	35	(360)
Vehicle & Plant Reserve (Parking Equip)	47	47	47	0
Vehicle & Plant Reserve (QPSC New Bld)		150	150	0
Property Repairs Reserve (WW Lift etc)		99	0	(99)
Property Repairs Reserve (Town Hall alterations)		270	295	25
Property Repairs Reserve (Museum Store)		61	0	(61)
Home Repairs Reserve	75	75	75	0
Service Imp Res – HLC admin space redesign			46	46
Service Imp Res - Innov Ctrs ICT cap	173	173	179	6
Service Imp Res - Car Parks ticket m/c's	15	0	0	0
Service Imp Res – Market Hall cafe		72	0	(72)
Invest to Save Res - Car Parks ticket m/c's	111	99	0	(99)
DSO/DLO Reserve (Repl. IT System)		13	0	(13)
Budget Risk Reserve (Erin Road Pump Stn)		7	6	(1)
Repay borrowing: Ex-Fire Station Site	(536)	(536)	0	536
Repay borrowing: Market Hall Refurb	(463)	(467)	0	467
Repay borrowing: QPSC New Build	(152)			0
Repay borrowing: Rose Hill Pay on Foot car park		(198)	0	198
Total resources available in year	2,305	8,228	6,101	(2,127)
Less total expenditure in year	2,305	7,734	4,746	
Net in-year surplus / (deficit)	0	494	1,355	
Surplus / (deficit) b/f from prev yr	0	0	0	
Cum surplus / (deficit) c/f	0	0	1,355	

	Original £'000	Revised £'000	Actual £'000	Variance Rev to Act £'000
<u>CAPITAL GRANTS etc:</u>				
S106: Whitebank Close Sportsground		3	4	1
SCRIF - Waterside		1,620	2,093	473
SCRIF – Northern Gateway		40	170	130
Flood Relief Grant - CLG	45	45	0	(45)
Flood Risk Management Grant - EA	195	292	202	(90)
Disabled Facilities Grants (CLG/PCT)	650	952	767	(185)
Home Repairs Assistance (FILT / SSE)	10	10	4	(6)
Staveley King George Bowls Pavilion - Viridor		11	0	(11)
QPSC New Build - Sport England	60	30	30	0
Grants Total	960	3,003	3,270	267

2016/17 BUDGET CARRY FORWARD REQUEST FORM

Description	Tidy Streets (0278), General Equipment & Materials (4204)
Reported to Members	n/a
Corporate, cross-cutting (community safety, equality, etc) and service priorities	Corporate safety. Enforcement and antisocial behaviour.
Mandatory / discretionary	Mandatory (to enable delivery of statutory functions). Officers carrying out statutory enforcement duties very often lone work. By wearing a body worn camera this should reduce the risks of abuse (verbal and physical) in conflict situations such as enforcement. In October 2016 2 officers in Environmental Protection took VR. This means that there are less officers available for evening/out of hours work (such as monitoring noise complaints from people's homes). As this is a statutory function a solution would be to purchase an additional piece of noise monitoring equipment.
Revenue Implications One-off or on-going	Annual calibration cost for noise monitoring equipment. Annual calibration cost for body worn cameras.
Savings identified elsewhere	In October 2016 2 officers from the Environmental Protection Team were granted VR.
Partnership opportunities	Housing Services rely upon Environmental Health to monitor complaints about noise and anti-social behaviour in CBC owned properties. The additional noise monitoring equipment would be a joint purchase between Environmental Health and Housing to enable delivery of the noise/anti-social behaviour service in an expedient manner.
Grants and joint financing opportunities	n/a
Charging policy	n/a
Consultation undertaken	n/a
Effect on other services	Allowing the carry forward of budget to buy an additional piece of noise monitoring equipment will ensure that complaints about noise and anti-social behaviour can be investigated in a timely manner. With fewer officers available to carry out work during the evening and weekends, the additional piece of noise monitoring kit will ensure that this statutory service can be delivered expediently.
Implications if not approved	The combined cost of the body worn cameras and the noise monitoring kit would exceed £3000 (i.e. the total amount in the budget at the start of the financial year). If the carry-over of budget was not approved the implications would be that during 2017/2018 there would be an overspend in code 0278 4204 or I would have to apply for a growth bid.
Other Comments:	

This page is intentionally left blank



External audit report 2016/17

Chesterfield Borough Council

September 2017



Summary for Standards & Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Chesterfield Borough Council ('the Authority').

This report focusses on our on-site work which was completed in August 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised in Section one.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September.

The following outstanding matters are currently outstanding:

- Receipt of the management representation letter;
- Post balance sheet events review up to the date of signing the audit opinion;
- Final review of the revised financial statements and Annual Governance Statement; and
- Final review following clearance of remaining matters.

Based on our work, we have raised one recommendation, which can be found in Appendix 1.

The agreed recommendations raised in our ISA 2015/16 have been fully implemented.

We are now in the completion stage of the audit and anticipate issuing our completion certificate by the deadline of 30 September 2017.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 value for money opinion.

See further details in section two

Acknowledgements

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

We ask the Standards & Audit Committee to note this report.

Contents

The key contacts in relation to our audit are:

Tony Crawley

Director

KPMG LLP (UK)

+44 (0)116 256 6067

tony.crawley@kpmg.co.uk

Richard Walton

Senior Manager

KPMG LLP (UK)

+44 (0)7917 232307

richard.walton@kpmg.co.uk

Joseph Mugwagwa

Assistant Manager

KPMG LLP (UK)

+44 (0)7391 733760

Joseph.mugwagwa@kpmg.co.uk

2 Summary for Standards & Audit Committee

4 Section one: financial statements

12 Section two: value for money

Appendices

18 One: Key issues and recommendations

19 Two: Follow-up of prior year recommendations

21 Three: Audit differences

22 Four: Materiality and reporting of audit differences

23 Five: Declaration of independence and objectivity

25 Six: Audit fees

This report is addressed to Chesterfield Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments' website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements by 30 September 2017. We also expect to report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported an underspend of £100,000 against the revised General Fund budget.



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks - 1. Significant changes in the pension liability due to LGPS Triennial Valuation

Why is this a risk?

During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the *Local Government Pension Scheme (Administration) Regulations 2013*. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

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.

Our work to address this risk

We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and agreed pension costs, liabilities and disclosures under IAS19 to confirmations from the scheme actuary.

We have liaised with our own internal actuary as well as engaging with our Pension Fund audit team to gain assurance over the pensions figures. We have received formal letter of assurance from the Pension Fund audit team.

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.



Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate 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.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified two areas of audit focus. These areas are not considered as significant risks as there are less likely to give rise to a material error. Nonetheless these are areas of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus - Disclosures associated with retrospective restatement of CIES, EFA and MiRS

Background

CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code):

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.

What we have done

For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also agreed figures disclosed to the Authority's supporting working papers and found no issues to note.

Business rates appeals

Background

The provision for business rate appeals is an area of audit focus since local authorities have little control over the level of appeals and their outcome. It is difficult to anticipate the financial impact of successful appeals as the potential change in rateable value cannot be predicted. Also, there is usually no indication of timescales to settle an appeal, making it a matter of judgement as to when the financial impact will fall.

We will review the Authority's approach to estimating its provision for business rate appeals against the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. payments required

What we have done

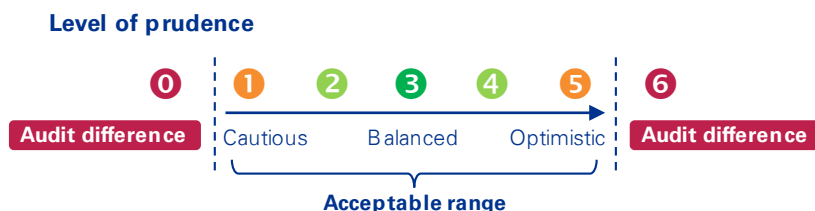
We have reviewed the estimation technique and confirmed that the same methodology as the prior year has been followed.

To check the accuracy of this estimate we have reviewed the actual payments made in relation to the provision made in the prior year.

We do not have concerns to raise as a result of our testing.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
Provisions for business rate appeals	3	3	In 2013/14, changes in local authority funding arrangements meant that the Authority became responsible for a proportion of successful rateable value appeals. We have reviewed the Authority’s calculation of the appeals provision. The provision remains at a similar level as 2015/16 as there has been no significant changes in 2016/17.
Debtors provisioning	3	3	We have reviewed the calculation and consider the provision to be reasonable. The overall amount of outstanding debt has remained at a similar level to the prior year, with a slight decrease to £6.550 million (2015/16: £6.873 million).
Property, plant and equipment (valuations and asset lives)	3	3	The Authority continues its use of the beacon methodology in line with the DCLG’s <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised an external valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The large change in overall valuation is due to the change in social housing discount factor applied to Council Dwellings. This change is consistent with other Authorities. Asset lives used have not changed significantly from the prior year, and are considered reasonable.
Pensions liability	3	3	The balance of £63.741 million (2015/16: £60.998 million) represents the deficit on the pension scheme. The reported balance, together with assumptions and disclosures, are consistent with the report from the external actuary.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Standards & Audit Committee on 20 September 2017.

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.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £1.4m million. Audit differences below £0.055 million are not considered significant.

Our audit did not identify material audit differences. We have recommended two amendments to the accounts presented for audit – the impact of the change in social housing factor has been moved to be an exceptional item in the CIES and the Collection Fund has been re-stated to correct a drafting error. These adjustments are presentational and do not impact on the General Fund and Housing Revenue Account balances as at 31 March 2017.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where necessary.

Annual governance statement

We have reviewed the Authority's 2016/17 draft Annual Governance Statement and have made a number of comments in respect of its format, content and the requirements of *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE (2016)*.

We have reviewed the Authority's revised version of 2016/17 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.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Section one: financial statements

Accounts production and audit process

The Accounts and Audit Regulations 2015 introduces a statutory requirement to produce a draft set of financial statements earlier for the year 2017/18. It also shortens the time available for the audit.

Our audit standards (ISA 260) require us to communicate our views on 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. The efficient production of the financial statements and good quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has strengthened its financial reporting by finalising the accounts in a shorter timescale. This puts the Authority in a generally good position to meet the new 2017/18 deadline. We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a set of draft accounts ahead of the statutory deadline of 30 June 2017.

Quality of supporting working papers

We issued our Prepared by Client ("PBC") list in January 2017 which outlines the documentation requested for our audit. This helps the Authority to provide audit evidence in line with our expectations.

We found that the quality of working papers provided was good and met the standards specified in our Accounts Audit Protocol 2016/17.

Response to audit queries

Officers dealt with our audit queries efficiently, responding within appropriate timescales.

Prior year recommendations

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

The agreed recommendations raised in our ISA 2015/16 have been fully implemented.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

We have no concerns to report in relation to our testing of controls.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements. We updated the Committee in July on our additional specific safeguards for the audit manager.

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

Once we have finalised our opinions and conclusions we will close our audit.

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 and for the year ending 31 March 2017, taking into account the independence declaration at Appendix 5, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 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 Director of Finance & Resources for presentation to the Standards & Audit 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).

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 2016/17 financial statements.



Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

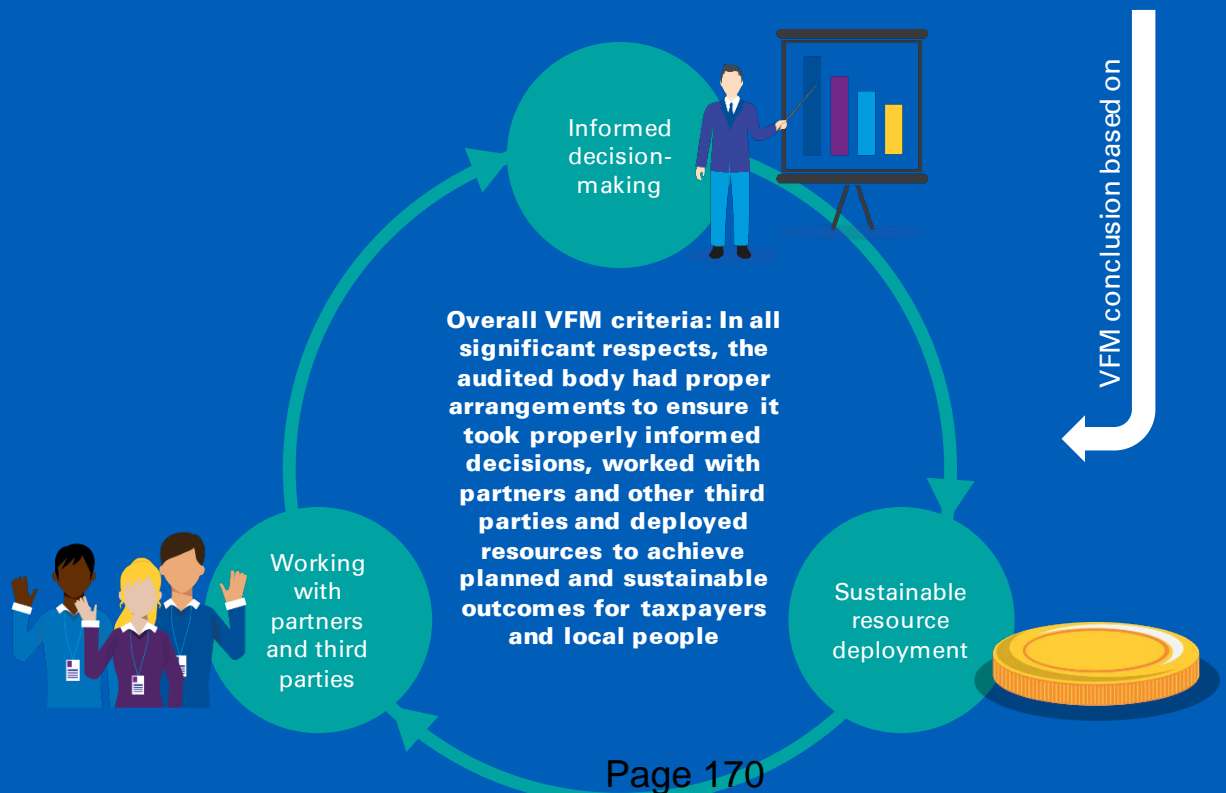
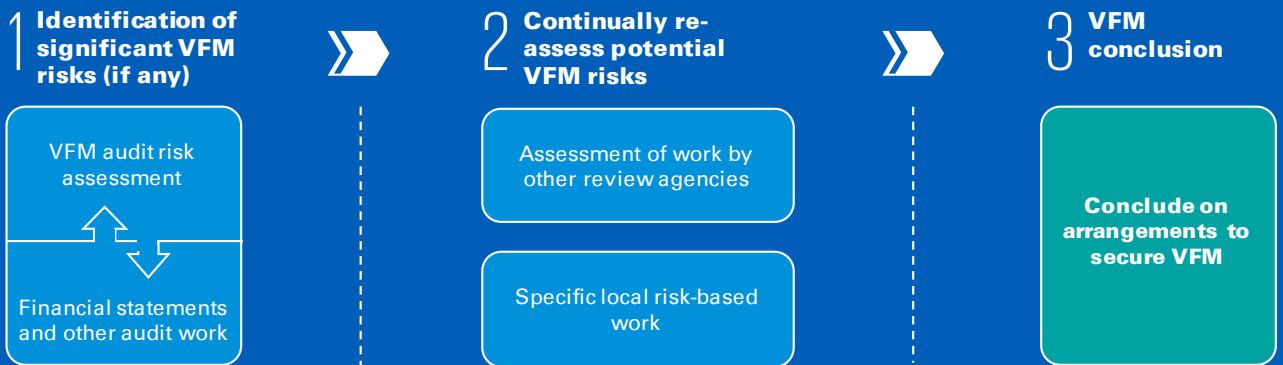
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Section two: value for money

The table below summarises our assessment of the individual VFM area of focus identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM area of focus	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Medium Term Financial Planning	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

VFM – Area of focus

We identified one VFM Significant Risk, as communicated to you in our *2016/17 External Audit Plan*. We are satisfied that a combination of external and internal scrutiny and our own review provides us with sufficient assurance to enable us to conclude that the Authority's current arrangements in relation to this area is adequate. Nevertheless, there are significant challenges ahead.

VFM – Significant Risk - Medium Term Financial Planning

Why is this an area of focus?

The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan.

Summary of our work

We reviewed the financial outturn position against original plans, comparing the outturn with both the original and revised estimates for the financial year.

The original budget set by the Authority for 2016/17 showed a deficit position of £236k after allowing for planned savings of £1,051k. As at February 2017, the Authority was forecasting that it will deliver its 2016/17 budget and achieve a surplus of £105k.

This outturn position provides the Authority with its planned level of financial resilience against risks including uncertainties relating to the reduction in Government grants, NNDR and New Homes Bonus, alongside some flexibility to enable it to invest either to save or to generate returns. The Authority has been able to balance the General Fund with a £100k surplus in 2016/17 in financially challenging times. However the surplus only represents 0.1% of net expenditure.

The Medium Term Financial Plan shows that planned savings in future years is currently minimal compared with those previously achieved. A deficit of £209k and £458k is being forecast for 2017/18 and 2018/19 respectively. This represents a significant challenge and the increasing localisation of financial risk means that there is less certainty about income levels. We will continue to discuss the position and the Authority's plans and options in our regular liaison meetings with senior officers.

A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, natural light source. The word 'Appendices' is overlaid in a thin, dark red font, centered horizontally and partially enclosed by two vertical lines of the same color.


Appendices


Key issues and recommendations


Our audit work on the Authority’s 2016/17 financial statements has identified one issue. We have listed this issue in this appendix together with our recommendation which we have agreed with Management. We have also included Management’s response to this recommendation.

The Authority should closely monitor progress in addressing the risk, including the implementation of our recommendation. We will formally follow up this recommendation next year.

Each issue and recommendation have been given a priority rating, which is explained below.

- 

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.
- 

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.
- 

Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary

Priority	Number raised from our audit
High	-
Medium	-
Low	1
Total	1



1. Review of financial statements

During the audit a drafting error (relating to the prior year Collection Fund comparative figures) meant that the accounts presented for audit were not arithmetically accurate and missed some comparative figures.

This was easily corrected but could have been found prior to the audit if the accounts were reviewed by someone independent to the production process.

Recommendation

Prior to submission for audit the accounts should be reviewed by someone not involved in the accounts process.

Management Response

Agreed. The accounts will be reviewed by our Internal Audit department for 2017/18.

Owner

Director of Finance & Resources

Deadline

May 2018

Follow-up of prior year recommendations

In the previous year, we raised three recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The agreed recommendations raised in our ISA 2015/16 have been fully implemented.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date. We have also obtained Management's assessment of each outstanding recommendation.

Below is a summary of the prior year's recommendations.

2015/16 recommendations status summary

Priority	Number raised	Number implemented / superseded
High	-	-
Medium	3	3
Low	-	-
Total	3	3



1. Accounts Production Process

The deadline for the production of the accounts is moving to 31 May with effect from 2017/18. The Authority now only has one more year to bring forward the production of the accounts in light of this change. This will need to be done whilst ensuring that the quality of the accounts is not diminished.

Recommendation:

The closedown plan for 2016/17 should allow for an earlier closedown and preparation of the financial statements.

Management original response

Agreed

We have already begun bringing deadlines forward as part of the 2015/16 final accounts process which was reflected in the timetable issued.

The final accounts timetable for 2016/17 will detail a 31 May 2017 completion date.

KPMG assessment

The Authority have reviewed and changed their closedown timetable. This remains a challenge for next year but the Council are working with CIPFA on accelerated closedown for 2017/18

Fully implemented

Medium priority

2. Pension Shortfall

The Authority is reliant on the Pension Fund Administrator to provide pension shortfall figures which are required to be disclosed in the exit packages note where the Authority is committed to redundancy. This information was not disclosed in 2015/16 as the information was not available from the Pension Fund Administrator in time.

Recommendation

It is recommended that the information from the Pension Fund Administrator is requested earlier in the process in order to ensure that pension shortfall figures can be disclosed.

Management original response

Agreed

Pension Shortfall figures were included in the 2015/16 Exit Packages note for the individuals we had received estimates for from the Pension Fund Administrator.

We requested pension shortfall estimates from the Pension Fund Administrator for all individuals whose employment terminated as soon as we became aware of the termination. We are unable to influence the time taken for responses to the request.

KPMG assessment

We did not find any issues in relation to this during the 2016/17 audit.

Fully implemented

Medium priority

3. Financial Outturn

The financial outturn position showed a positive variation on that being forecast and reported to Members throughout the year. A summary of the most significant variances was reported to Cabinet in June 2016, however it was noted that further work was required to establish which variances are likely to recur in future years.

Recommendation

It is recommended that the reasons behind the variances and their continued impact on the financial position be produced as soon as possible so that learning points can be established and amendments made to current year budgets, as necessary.

Management original response

Agreed

An analysis of areas (Expenditure and Income) which have consistently underspent over the past 3 years has been produced. This analysis is currently being used in budget challenge sessions and should enable us to build savings into our latest budget therefore ensuring we are communicating as accurate a position as possible to Members.

KPMG assessment

We have not noted any further areas for improvement in the reporting as a result of our work this year.

Fully implemented

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Standards & Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences

The following table sets out the material audit differences identified by our audit of Chesterfield Borough Council's financial statements for the year ended 31 March 2017. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences (£'000)						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Housing Expenses £54m Cr Exceptional item £54m					<p>During the year a national policy decision was taken to alter the % used to discount the valuation of Council Dwelling to recognize their use as social housing. This resulted in a large decrease in the value of Council Dwellings in the Statement of Financial Position and therefore there was a large credit shown within the HRA and the CIES.</p> <p>We recommended to officers that it would be better to show the impact of this change as an exceptional item on the face of the CIES in order to not confuse the underlying position. Officers agreed to make this amendment to improve the transparency of financial reporting.</p> <p>This amendment has no impact on the financial outturn for the Council or the retained General Fund balance.</p>
2						<p>The comparative figures for the Collection Fund in the accounts presented for audit excluded some lines which led to the financial statements not being arithmetically accurate or consistent with the audited accounts from the prior year.</p> <p>This was a drafting error and was corrected as soon as it was brought to the attention of officers. This had no impact on the financial position of the Council.</p>
	Dr/Cr £0m	Dr/Cr £0m	Dr/Cr £0m	Dr/Cr £0m	Dr/Cr £0m	Total impact of adjustments

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in February 2017.

Materiality for the Authority's accounts was set at £1.4m which equates to around 1.1 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Standards & Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Standards & Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.055m.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Standards & Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

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 Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd 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 his. These matters should be discussed with the Standards & 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 LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Chesterfield Borough Council for the financial year ending 31 March 2017, taking into account the above independence declaration 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 5

Declaration of independence and objectivity (cont.)

Non-audit work and independence

Below we have listed the non-audit work performed during 2016/17 and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Pooling of Housing Capital Receipts claim 2015/16 (performed in 2016/17)	£3,000	<p>Self-interest: This engagement is entirely separate from the audit through a separate contract, engagement team and lead partner. In addition, the audit fee scale rates were set independently to KPMG by the PSAA. Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit.</p> <p>Self-review: The nature of this work is auditing these grant claims. The Pooling of Capital Receipt claim has no impact on the main audit because completed after the audit was completed. Therefore this does not impact on our opinion and we do not consider that the outcome of this work threatens to our role as external auditors. Consequently we consider we have appropriately managed this threat.</p> <p>Management threat: This work will be audit work only – all decisions will be made by the Authority.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work. The existence of the separate team for this work is the key safeguard.</p> <p>Advocacy: We will not act as advocates for the Authority in any aspect of this work. We will draw on our experience in such roles to provide the Authority with a range of approaches but the scope of this work falls well short of any advocacy role.</p> <p>Intimidation: not applicable</p>
Total estimated fees	£3,000	
Total estimated fees as a percentage of the external audit fees	6%	

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £52,445 plus VAT (£52,445 in 2015/16), which is in line with the prior year.

Our work on the certification of Housing Benefits (BEN01) is not yet complete. The planned scale fee for this is £6,465 plus VAT (£6,465 in 2015/16). See further details below.

PSAA fee table		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee set in 2015/16	52,445	52,445
Estimated additional work to conclude our opinions (note 1)	TBC	-
Subtotal	52,455*	52,445
Housing benefits (BEN01) certification work		
PSAA scale fee set in 2015/16 – planned for October 2017	6,465	6,465
Total fee for the Authority	58,910*	58,910

All fees are quoted exclusive of VAT.

Note 1: Accounts opinion and use of resources work

For 2016/17, we will discuss additional fee in relation to the work undertaken in respect of the CIES restatement with the Director of Finance & Resources. This is still subject to final agreement and PSAA approval.

*Total excludes this additional fee.



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International



KPMG LLP
 St Nicholas House
 31 Park Row
 Nottingham
 NG1 6FQ

20 September 2017

Dear Tony

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 2017, 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 2017 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 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 the Accounts and Audit Regulations 2015, 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 2017 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 2016/17.

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.

Chesterfield Borough Council, Town Hall, Rose Hill, Chesterfield S40 1LP

Telephone: 01246 345 345, Text: 07960 910 264, Email: info@chesterfield.gov.uk

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.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. 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.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. 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.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- 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.

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.

8. 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.

9. 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*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

10. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) 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.

11. 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 Committee on 20 September 2017.

Yours sincerely,

Director of Finance & Resources

Appendix to the Authority Representation Letter of Chesterfield Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. 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 Party and Related Party Transaction

Related party:

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).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

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.

For publication

Summary of Internal Audit Reports Issued 2017/18

For publication

Meeting:	Standards and Audit Committee	1.0	P u r p o s e o
Date:	20th September 2017		
Cabinet portfolio:	Governance		
Report by:	Internal Audit Consortium Manager		

f report

- 1.1 To present for members' information a summary of Internal Audit Reports issued during the period 6th May 2017 – 25th August 2017 in respect of reports issued relating to the 2017/18 internal audit plan.
- 2.0 **Recommendations**
- 2.1 That the report be noted.
- 3.0 **Report details**
- 3.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.
- 3.2 Attached, as Appendix A, is a summary of reports issued covering the period 6th May 2017 to 25th August 2017, for audits included in the 2017/18 internal audit plan.
- 3.3 As requested previously, Members have been provided with copies of reports that have been issued with a limited or inadequate audit opinion. This period, 3 limited assurance internal audit reports have been issued - Choice Based Lettings, Safeguarding and Housing - variations. A summary of the key issues for each of these reports is detailed in Appendix B along with an update of progress made to date.

- 3.4 Appendix A 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.
- 3.5 The conclusion column of Appendix A gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in line with the definitions below.

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

- 3.6 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 Committees attention.
- 3.7 The production of this report ensures that Members charged with governance are aware of any internal control weaknesses or fraud identified by internal audit.

4 Alternative options and reasons for rejection

- 4.1 The report is for information.

5 Recommendations

5.1 That the report be noted.

6 Reasons for recommendations

6.1 To inform Members of the internal audit reports issued in order that the strength of the internal controls in place can be assessed.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	This report links to the Council's priority to provide value for money services.

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk

Background documents

These are unpublished works which have been relied on to a material extent when the report was prepared.

Appendices to the report

Appendix A

Summary of Internal Audit Reports Issued

Appendix B

Summary of the key issues in relation to reports given a "limited assurance" opinion including progress update from managers.

Chesterfield Borough Council – Internal Audit Consortium**Report to Standards and Audit Committee****Summary of Internal Audit Reports Issued 2017/18– Period 6th May 2017 – 25th August 2017**

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
1	Choice Based Lettings	To ensure that the Council's policy is implemented and that void time is kept to a minimum	Limited Assurance	12/05/17	1/6/17	26/5/17	9 (5H, 2M, 2L)	9
2	Variations – housing repairs responsive	To ensure that variations are necessary, appropriately authorised and monitored	Limited Assurance	16/5/17	6/6/17	5/7/17	5 (2H, 2M, 2L)	5
3	Expenses and Mileage	To ensure that expenses are genuine, paid accurately and promptly	Reasonable Assurance	17/5/17	8/6/17	26/6/17	4 (2M 2L)	4
4	Expenses and Mileage (VAT)	To ensure that VAT is accounted for correctly and accurately	Reasonable Assurance	17/5/17	8/6/17	4/7/17	1M	1

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
5	Safeguarding	To ensure that all staff and Members are aware of their responsibilities in relation to safeguarding	Limited Assurance	24/5/17	15/6/17	15/6/17	6 (2H, 2M, 2L)	6
6	Venues	To ensure that fees and charges are levied as agreed and collected and banked promptly and accurately	Substantial Assurance	29/6/17	20/7/17	30/6/17	2L	2
7	Council Tax	To ensure that council tax bills are raised promptly and accurately and that income is collected efficiently	Reasonable Assurance	21/7/17	11/8/17	14/8/17	3(2M 1L)	3
8	Crematorium Income	To ensure that all fees and charges are correctly applied, collected and banked	Reasonable Assurance	7/8/17	29/8/17		2M	Note 1
9	Sale of Land and Property	To ensure that there is a transparent system in place for the sale of land and property that supports the Council's objectives	Reasonable Assurance	16/8/17	8/9/17		6 (2H 3M 1L)	Note 1

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
10	Members Expenses and Allowances	To ensure that all expenses and Allowances are paid in line with the scheme promptly and accurately	Reasonable Assurance	16/8/17	8/9/17	6/9/17	5 (3M 2L)	5

Note 1 The response was not due at the time of writing the report

Summary of the key issues in relation to Limited Assurance reports

1) Safeguarding – main points arising

- Not all staff have yet received an appropriate level of training
- There are issues and actions already identified on the S11 audit toolkit that require addressing (the Policy and Communications Officer has already identified action by dates) e.g. updating the employee code of conduct
- Procurement documentation. (e.g. strategy, contract documentation) does not currently have adequate reference to “safeguarding” and its requirements
- Safeguarding needs to be further embedded within the council.

Internal Audit: Safeguarding progress at 06.09.17 (Update Provided by Manager)

Significant progress has been made on several of the Internal Audit recommendations. A summary of this activity is available below.

R2 It is essential that training is adequately monitored to ensure all appropriate employees undertake necessary training within the given timescales (i.e. Information Security Training, Safeguard Training)

- Aspire learning has been successfully launched for employees and elected members
- Mandatory modules include information security training and two safeguarding modules (one for adult safeguarding and one for children)
- Monthly monitoring of progress takes place
- Additional training is available to relevant employees via Safer Derbyshire, Derbyshire Adult Safeguarding Board and Derbyshire Children’s Safeguarding Board. This is monitored by the annual performance development review meetings with all staff

R3 It is essential that the issues identified within the S11 self-assessment are addressed within the timescales indicated by the Policy and Communications Manager

Significant progress has been made on the safeguarding action plan following the self-assessment. A third of the actions have been completed and all other actions are on track for completion during 2017/18.

R4 The Safeguarding Lead Officer should liaise with relevant parties to :-

- ensure that the procurement strategy being prepared incorporates adequate reference to 'safeguarding'
- ensure that on conclusion of the legal review of CBC contract documentation, any revisions (in particular reference to safeguarding) is disseminated to all relevant parties.
- provide a procedure that where contract documentation is not in place, contractors are aware and accept responsibilities in relation to safeguarding

Some progress has been made on this issue including a review and update of tender documents and contract documentation to ensure that safeguarding responsibilities are clear and in line with our policies.

R5 It would be prudent to review the hire terms and conditions with the objective of ensuring the adequacy of the safeguarding clauses and ensuring consistency across services

Hire terms and conditions have been reviewed across service areas. This has improved consistency across services and ensures that safeguarding responsibilities of hirers are clear.

R6 Safeguarding needs to be further embedded within the Authority to ensure all employees are aware of the procedure to follow should safeguarding issues arise

The action within the self –assessment action plan referenced at R3 have been designed to improve safeguarding awareness and responsibility across the authority. Key actions include:

- Assigned a senior board level lead to take leadership responsibility for the organisation's safeguarding arrangements
- Assigned a senior manager as the designated lead officer for safeguarding. This Officer champions and co-ordinates the Council's safeguarding activities
- Safeguarding leads have been identified for all service areas and relevant training has taken place

- All Derbyshire districts have agreed to launch a districts safeguarding group with support from DCC to ensure all district views are represented at the safeguarding boards, key messages are cascaded and that peer to peer support is available
- CBC (and service delivery partners Arvato and Kier) Safeguarding Group established
- Aspire (the Council's Intranet) is also used to disseminate key information and updates
- There have been a number of core briefs to all CBC and delivery partner managers during 2016/17 and 2017/18 on key safeguarding issues. There have also been updates at the regular service manager seminars
- A new key information poster has been developed, regularly updated and displayed in all CBC staffing areas.
- Our Policy and Procedures are being regularly reviewed with the next review scheduled for early 2018.
- The Council's whistleblowing policy and procedure has been updated to reflect safeguarding requirements.
- Guidance issued via Aspire is to assess whether or not criminal record checks are necessary. This includes access to the Disclosure and Barring Service tool to help employers identify which posts are eligible for an enhanced criminal records check
- Recruitment policy includes best practice for safe recruitment including face to face interviews, verification of identity and qualifications and references obtained
- Compliance with the policy and procedure is discussed at CBC safeguarding meetings and there is evidence which demonstrates appropriate use of information sharing and referral mechanisms

2) Choice Based Lettings – main points arising

- Out of date procedural notes, flowcharts, letter templates etc.
- Not always evidence that an annual review has taken place
- Not always photo ID of applicant – risk of identity fraud
- No system of quality control checks on completed applications
- Some instances of lengthy void days – delays between handing in of keys and any subsequent action taking place – potential loss of rent
- The current system (Abitas) is not data protection compliant
- Potential that paper application forms are being retained longer than necessary
- Only 2/6 previous audit recommendations fully implemented

Internal Audit: Choice Based Lettings progress at 06.09.17 (Update Provided by Manager)

In addition to the comments, submitted on the implementation schedule on the 26th May, 4 of the 9 (No's 2,3,6,and 7) recommendations have already been

implemented, these include the 2 recommendations (No's 3 and 7) outstanding from the previous audit.

Work is well underway in respect of recommendation 1 and 8. Both of these recommendations were welcomed as part of the audit, as they were issues already identified by the new Housing Management Team. A budget has been approved by Cabinet for the replacement of the current abritas system and both this system and an alternative have been reviewed and trialled. A PMO 0 request has been made for the implementation of the new CBL system (which will include Homelessness IT provision) and the resulting revised policies and procedures. It is envisaged that the new system / policies will be implemented between April and October 2018.

Work is also well underway in respect of recommendations 4 and 5, which relate to the management and turnaround of empty properties. A steering group of tenants, elected members and officers have been reviewing these processes in addition to standards and marketing and a number of recommendations have been agreed and are being implemented. Changes in practice between Housing Options and OSD have been put in place and we are already seeing an improvement in communication, standards and turnaround. A local lettings policy has been introduced in August 2017 with regard to 1 and 2 bed flats but it is too early to see if this policy has yet made an impact on turnaround. Changes are being put in respect of marketing, which includes using Rightmove for difficult to let properties commencing in September/October. This is in addition to decorating and carpeting difficult to let flats.

3) Housing Repairs – Variation Orders

N.B this audit was requested by the Commercial Services Manager

- High level of variation orders (February 2017 - 49.67% of works undertaken had a variation order). Operatives are paid bonus on the extra jobs undertaken so open to abuse
- No specific authorisation for variation orders
- Jobs on an operative's timesheet could not always be traced to COINS/Northgate, this means that the operative gets paid but the DLO won't receive the income.
- Possibility that unnecessary work is being undertaken e.g. an example of a new kitchen being fitted in 2014 but in 2017 new counters, drawer fronts and sink with no recharge being made to the tenant

- No photos of properties prior to work taking place to evidence that it was all necessary e.g. replacement of internal doors
- Material used were not always recorded on COINS
- Completed jobs visited by audit where it appeared that work had been over claimed for

An Officer from Housing is to attend the committee to provide an update

This page is intentionally left blank

**Bolsover, Chesterfield and North East Derbyshire District
Councils'**

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Choice Based Lettings
Date of Issue:	12th May 2017

Report Distribution:	Head of Housing Housing Options Manager
---------------------------------	--



INTERNAL AUDIT REPORT

CHOICE BASED LETTINGS

Introduction

An internal audit review of the operation of Housing Allocations through the Choice Based Lettings (CBL) Policy has recently been completed.

Scope and Objectives

The scope and objectives of this report are:

- Establish allocation procedures operating
- Confirm current procedures are in accordance with The CBL Policy and operating effectively by means of examination of a sample of lettings
- Identify any areas of apparent weakness and make recommendations, which will improve controls/procedures

Conclusion

The conclusion of the audit is that Limited Assurance can be placed on the area audited (certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some of the key risks are not well managed). A definition of all the assurance levels is at Appendix 1.

Findings and Recommendations

Previous audit recommendations

1. The previous audit of CBL was undertaken in 2013. Six recommendations were made and agreed as a result of that audit.
2. Out of the six recommendations; two have been confirmed as fully implemented, one has been partially implemented and three could not be evidenced as being implemented. Where appropriate recommendations not implemented/full implemented have been reiterated as part of this report (R3, R6, R7, R8).

Background

3. Choice Based Lettings was launched in April 2009, which involved minor changes to the Allocations Policy to enable implementation of CBL.

4. The principal is to advertise available properties and give applicants requiring accommodation the opportunity to be actively involved in getting a home in their area of choice
5. The Policy was revised in May 2015 and changes relating to the policy were implemented in April 2016. The main changes implemented were: -
 - Residency Requirement (12 months residency or full time employed in area)
 - Discharge of Statutory Duty in the Priority Band
 - Removal of lodging points
 - Ending of Sub-Regional CBL scheme
 - Pre-allocation risk assessment (including financial assessment)
6. The introduction of the residency requirement and the minimum weekly income of £100 (as determined as part of the pre-allocation risk assessment) have had detrimental effects on the managing of the housing waiting list, in the way of reduced number of applications received and the increasing void periods.
7. During the audit a further CBL Allocations and Transfers Policy had been drafted and was due to be presented to Cabinet for consideration on 2nd May 2017. The report was to recommend the removal of the residency and minimum weekly limit of £100.

Procedure Guides

8. Detailed guidance notes and flowcharted procedures in respect of Choice Based Lettings are available to members of the CBL Team via the Housing On-line help facility however discussions with the Team Leader (Allocations) highlighted that some of the procedures and letter templates are now out of date.

Recommendations	
R1	Procedural notes, flowcharts and associated letter templates should be updated to accurately reflect current procedures and be aligned with the current policy (Priority: Medium)

9. Help and guidance is available to prospective tenants via the Council's internet (On The Move Website) or at the Housing Solutions Centre for details concerning the application and the bid process.
10. Information on recent lets (results of previously advertised homes illustrating how many people expressed interest in a particular home, priority band and registration date of each customer offered a home) is also available via the Council's internet

Review of Application Forms

11. A sample of 20 applicants on the waiting list as at 23rd March were randomly selected with the housing application reviewed to ensure:
 - Band appropriate to housing needs
 - Accuracy of points allocated (ensuring evidence in instances of medical points)
 - Proof of ID verified
 - Accuracy of details input to Housing Northgate System (e.g. People requiring rehousing)

12. The only inaccuracies noted were:-
 - Application 113047 – No evidence of annual review held on file or details of review recorded in Northgate notepad facility.
 - Application 169226 – Address details confirmed to supporting documents however no photo ID provided (if no photo ID available picture should be taken on the webcam facility of the Housing Solutions Centre and copy retained on file)

13. The above were all brought to the attention of the Team Leader Housing Solutions at the time of the audit. It was requested by e-mail that practices for updating the notepad for annual reviews done over the telephone and instances of no photo ID should be discussed at the next team meeting, no response to the e-mail request was received by the conclusion of the audit.

Recommendations	
R2	<p>Staff should be reminded that: -</p> <p>In the event of an annual review being conducted over the telephone that the notepad facility within Northgate should be updated to reflect the outcome.</p> <p>In instances where no photographic ID is available a photo must be taken on the 'On the Move' shop webcam, signed by the applicant and retained on file.</p> <p><i>(Priority: High)</i></p>

14. At the previous audit it had been agreed that a system of 'quality control' checks on a sample of completed applications be introduced. Discussions with the Assistant Housing Solutions Manager during the audit confirmed that this has not been undertaken.

Recommendations	
R3	It would be prudent to reintroduce the previous agreed recommendation "To ensure the accuracy of the allocations database the system of 'quality control' checks on a sample of completed allocations as previously agreed should be introduced. These being undertaken by either the Team Leader Allocations or Assistant Housing Options Manager or the Housing Options Manager". (Priority: High)

Review of Allocations/Quotas

15. Samples of recent 'lets' were extracted from lettings reports (sample size 20).
16. For each property, the bid list was obtained from the Abrisas System.
17. In each instance it was confirmed that the successful applicant was the first eligible person on the list, and that the lists were accurate in determining applicant's position (based on date of application/points/band).
18. House files were examined (with the exception of 105 Racecourse Road – file missing) to ensure completeness of documentation, ensuring that the following documents were present in all instances;
 - Signed application form
 - Core Lettings Log
 - Pre allocation statement
 - Tenant checklist
 - Document checklist
 - Offer letter
 - Signed tenancy agreement
 - ID
19. It was noted that in instances where the application form could not be located, a full applicant report is obtained from the Northgate System which details the information on the original application form.
20. The issue of decorating vouchers did not form part of this audit. The value of decorating vouchers issued in respect of change of tenancies was extract from the Agresso Financial Management System. It was noted a 16% increase in the value of decoration vouchers issued between 2014/15 and 2016/17 as illustrated in the table below.

Year	Value £
2016/17	90,394
2015/16	87,221
2014/15	77,489

21. It was ascertained that the Team Leader Housing Solutions maintains a spreadsheet detailing properties advertised within the 4 bands, ensuring that the percentage for each band is within a 5% tolerance of the quota as determined within the CBL Policy.

Void Days

22. For the sample in paragraph 15 the average number of void days was calculated as 42 days (from the date the property became void to the new tenancy commencement date). The figure of 42 days was an adjusted figure to remove instances of major works. In one case (1 Willesden Court – 3 bedroom house) the total number of void days was 77 days. As per the Northgate system the void path was as follows: -

Date	Description	Number of days between events
22/11/16	Keys Received from outgoing tenant	
24/11/16	Pre Inspection Keys Out	2
24/11/16	Pre Inspection Keys Returned	
28/11/16	Property Void	4
10/01/17	Inspection Raised in Repairs	43
10/01/17	Inspection Completed in Repairs	
18/01/17	Post inspection Keys Out	8
18/01/17	Post inspection Keys Returned	
18/01/17	Snagging keys issued to OPS	
20/01/17	Snagging keys returned from OPS	2
20/01/17	Works / Contract Cleaning	
25/01/17	Complete Ready for Letting	5
25/01/17	Full offer made	
26/01/17	Keys returned to Area Office	1
07/02/17	Keys with Prospective Tenant	12
07/02/17	Tenancy Agreement signed	

23. The number of days between the property becoming void and an inspection being raised appears excessive.

Recommendations	
R4	Monitoring of void days should be undertaken particularly in instances of keys being returned by the outgoing tenant and the first event date being generated within the void path to enable it to be determined where the delays are occurring (Priority: Medium)

24. The corporate target for the average number of days to re-let an empty property is 27 days. The results for quarter 3 and 4 for 2016/17 were reported as 41.12 days and 44.37 days respectively hence failing the corporate target.
25. A report was obtained from the Northgate system which detailed all properties that had been re-let in the period 1st April 2016 to 26th April 2017. A summary of the re-let days per property type was calculated for this sample, see table below. The results have been adjusted to exclude void paths such as major works.

Property Type	Average Re-let Days Adjusted
Bedsit	93.5
Bungalow (0 Bed)	49
Bungalow (1 Bed)	30.08
Bungalow (2 Bed)	34.55
Bungalow (3 Bed)	87
Flat (1 Bed)	30.06
Flat (2 Bed)	52.26
Flat (3 Bed)	70
House (1 Bed)	43.2
House (2 Bed)	50.22
House (3 Bed)	30.8
House (4 Bed)	35.63
Maisonette (2 Bed)	14.6
Maisonette (3 Bed)	43.5
Total Average	37.41

Recommendations	
R5	Close and regular monitoring of the void to re-let days should be undertaken by Management particularly to assess the impact of the introduction of the revised Allocations Policy (Priority: High)

Annual Reviews

26. The testing on application forms as detailed in paragraph 8 confirmed that where appropriate review letters had been issued.
27. The exception was application 113047, where discussion with Housing Allocations staff confirmed that a review had been issued, but that possibly a response had been given over the telephone with this failing to be recorded within the notepad facility in Northgate
28. It was noted that on every Monday the list of reviews not returned is examined and the application details manually deleted from the system. It was confirmed at the time of the audit (20/04/17) by reference to the Northgate system that all reviews had been processed and where reviews had not been returned the application had been removed from the system.

Declarations

29. Discussion with the Team Leader Allocations confirmed that the requirement to complete form ' Offer of Housing for Staff, Related Applicants and Members of Chesterfield Borough Council' in instances where the applicant has declared such is undertaken.
30. No instances of any application making a declaration was identified as part of the allocations sample reviewed as part of this audit. A report was run from the Northgate system to detail where a response to the declarations questions had been flagged as part of the application process.
31. During the previous audit it was recommended and agreed that a central file would be maintained to hold copies of the completed declaration forms signed by the appropriate Housing Manager (and if required Lead Member).
32. The central file was reviewed to confirm that for a sample of housed applicants the declarations were held on file. For the sample of six applications only two could be confirmed as being retained on the central file. This was highlighted during the audit to the Team Leader Allocations but no response was received.

Recommendations	
R6	As previously agreed, consideration should be given to a central retention/filing system for declarations "Offer to Housing Related Applicant". For the applications referred to the Team Leader (Allocations) during the audit as having declared an interest it would be prudent to ascertain if the appropriate declarations forms have been completed and copies retained on the central file (Priority: Low)

Data Protection / Abrisas System

33. During the audit the Team Leader (Allocations) was requested to provide assurance that the current list of users of the Abrisas System reflected current staffing arrangements. A recommendation was made during the previous audit that periodic checks of the users should be undertaken to confirm validity, no response was received.

Recommendations	
R7	Periodic checks of the user list of the Abrisas system should be undertaken to confirm the validity of all current users. (Priority: Low)

34. In the audit completed in 2013, the situation with removal of personal data held on the Abrisas system once an application had been processed (successful tenancy/review not returned) was opaque, creating uncertainty over compliance with Data Protection Rules. A recommendation was made and agreed that Housing Solutions would liaise with Abrisas to verify the retention of personal data/information. It could not be established if this had been undertaken.
35. The Council's Information Assurance Manager was contact to ascertain in any assurance could be given that the Abrisas system was compliant with Data Protection principles; however no review of this system has been carried out.
36. The Assistant Housing Solutions Manager made contact by e-mail with Abrisas during the audit however for clarification that data is removed. The response received from Abrisas was as follows:

In response to your enquiry

- Daily backups are taken

- Your current version of the system 6.4 does not have a facility to remove data after a specified period of time. This was introduced in version 7 and is called Data Management. The current version of the system is 9.
- Data is not removed when a review is failed, the application is closed. The facility to remove the data in this circumstance is available from version 7.

37. It would therefore appear that the current version of the Abrisas system used by Housing Solutions does contravene Data Protection Policies (holding personal data/information for longer than required).

Recommendations	
R8	The continued use of the current version of the Abrisas system as part of the allocations/bidding process should be reviewed as a matter of urgency to ensure compliance with Data Protection Principles (Priority: High)

38. Discussions with the Assistant Housing Solutions Manager confirmed that the corporate document retention policy is followed in respect of the retention of Housing Application forms.

39. Due to restricted storage space at Fountain House some applications forms are currently being stored at the Town Hall (current location unknown due to asbestos clearance work and restricted access). It was confirmed that the dates of applications stored at the Town Hall may now exceed the retention policy.

Recommendations	
R9	A review of retained paper application forms held in storage at the Town Hall should be reviewed as soon as practically possible to ensure the retention policy is being adhered to and that personal information is not being held for longer that reasonably required (Priority: High)

Acknowledgement

40. The auditor would like to thank the Housing Solutions Team for their helpful assistance during the audit. The audit could have been progressed quicker if responses to e-mails/queries had have been forthcoming and it should be noted that a number remain outstanding as highlighted in the report.

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Internal Audit Report – Implementation Schedule

Report Title:	Choice Based Lettings	Report Date:	12 th May 2017
		Response Due By Date:	1 st June 2017

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	Procedural notes, flowcharts and associated letter templates should be updated to accurately reflect current procedures and be aligned with the current policy	Med	Yes	Allo cations Team Leade r	July 2018			It is acknowledged that the procedure notes and letters require updating. However, this is directly linked to the Allocations Policy and the IT system used for Choice Based Lettings both of which are currently under review. A new IT system has been identified and is being progressed through Project Management Office. This is

Page 214

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							likely to take up to 12 months to implement in order to ensure a seamless, safe and secure transfer from the old system to new is undertaken with minimal disruption to service delivery. The new IT system will require a new Allocations Policy to be developed so any letters and procedures notes will be produced after that time.
R2	Staff should be reminded that: - In the event of an annual review being conducted over the telephone that the notepad facility within Northgate should	High	Yes	Alloca tions Team Leade r	23 May 2017		Completed 23rd May 2017. Staff have been reminded as a result of the

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
<p>be updated to reflect the outcome.</p> <p>In instances where no photographic ID is available a photo must be taken on the 'On the Move' shop webcam, signed by the applicant and retained on file.</p>							Audit, to ensure that this takes place
<p>R3 It would be prudent to reintroduce the previous agreed recommendation "To ensure the accuracy of the allocations database the system of 'quality control' checks on a sample of completed allocations as previously agreed should be introduced. These being undertaken by either the Team Leader Allocations or Assistant Housing Options Manager or the Housing Options Manager".</p>	High	Yes	Housing Options Manager/Assistant Manager/Team Leaders	23 May 2017			Completed 23 rd May 2017. This was initially done on an ad hoc basis following the previous audit and then ceased. A Formal process has now been put in place for the Housing Options Team Leader and Allocations Team Leader to carry monthly quality assurance checks on 10% of all completed

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								files amounting to approximately 8-10 files per month. The Housing Options Assistant Manager will undertake quarterly checks of 5 completed file. The Housing Options Manager will complete annual checks of between 5-10 files.
R4	Monitoring of void days should be undertaken particularly in instances of keys being returned by the outgoing tenant and the first event date being generated within the void path to enable to it to be determined where the delays	Med	Yes	Housing Options Manager	October 2017			This recommendation is welcomed, as this is something that has been identified as an issue following

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
	are occurring			Housing Options Assistant Manager				recent changes in management in Housing Services. Work has already commenced and meetings have been held with the Operational Services Assistant Manager to identify areas of improvement and to develop a more streamlined void process to reduce overall void times. This includes better and closer monitoring of performance to identify the more problematic areas. Particular attention is being given to void turnaround

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								times which will be essential in monitoring the impact of the revised/new allocations policy. A working group consisting of officers, members and tenants has also been established with the intention of producing recommendations for improvements which will then be consulted upon after October 2017.
R5	Close and regular monitoring of the void to re-let days should be undertaken by	High	Yes	Housing Option	June 2017			See response to R4.

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
Management particularly to assess the impact of the introduction of the revised Allocations Policy				s Manag er			
R6 As previously agreed, consideration should be given to a central retention/filing system for declarations "Offer to Housing Related Applicant". For the applications referred to the Team Leader (Allocations) during the audit as having declared an interest it would be prudent to ascertain if the appropriate declarations forms have been completed and copies retained on the central file	Low	Yes	Allo cations Team Leade r	23 May 2017			Completed 23rd May 2017. This process has been set up and implemented
R7 Periodic checks of the user list of the Abris system should be undertaken to confirm the validity of all current users	Low	Yes	Allo cations Team Leade r	23 May 2017			Completed 23rd May 2017. An immediate review has taken place and checks will take place every six months
R8 The continued use of the current version of the Abris system as part of the allocations/bidding process should be reviewed as a matter of urgency to ensure compliance with Data Protection Principles	High	Yes	Housi ng Option s Manag er	April 2018			We welcome this recommendation as this is something that has been identified by

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							housing managers. The current system used to deliver the Choice Based Lettings service, Abris, is considerably out of date having not been updated for in excess of 7 years. Due to having missed a number of previous updates we are not now able to conduct a simple update to the newest version of Abris. This has provided an opportunity to conduct a holistic review of the system and to consider alternative systems with

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							different providers. We have viewed and tested two systems and have agreed to explore changing to a different provider, Locata. A budget has already been approved for this upgrade. This is being taken to Project Management Group and is expected to take up to 12 months to terminate the contract with Abritas and conduct a data transfer and full implementation of Locata. Considerable financial savings have been identified

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								in changing provider. This new system will also require the development of a new Allocations Policy as mentioned in the comments to R1.
R9	A review of retained paper application forms held in storage at the Town Hall should be reviewed as soon as practically possible to ensure the retention policy is being adhered to and that personal information is not being held for longer that reasonably required	High	Yes	Housing Options Assistant Manager	June 2017 ongoing			The issue of the lack of storage space is a constant problem for the Options Team due to the storage of void files and old / cancelled housing applications and the limited available space at the Town Hall. According

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							<p>to checks carried out on 23rd May 2017, there are no applications which can be disposed of under the current Corporate Retention Policy (6 years). We are currently exploring the possibility of scanning these files/forms to store them electronically but this forms part of the Corporate review of IT and the introduction of a CRM</p> <p>The current IT system requires the use or paper files and application files</p>

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							which is adding to the identified issue. The new IT system referred to in R8 includes an online application process and is almost entirely paperless. This will assist with the problem of storage and avoid any continuing and ongoing concerns.

Note: In respect of any High priority recommendations please forward evidence of their implementation to internal audit as soon as possible.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:	Alison Craig	Date:	26 th May 2017
-------------------------	--------------	-------	---------------------------

This page is intentionally left blank

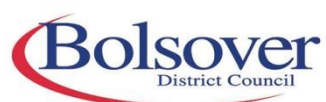
Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Safeguarding
Date of Issue:	24th May 2017

Report Distribution:	Executive Director Policy & Communications Manager
-----------------------------	---



INTERNAL AUDIT REPORT
POLICY & COMMUNICATIONS
SAFEGUARDING

Introduction

An internal audit review of the procedures relating to Safeguarding arrangements in operation has recently been undertaken to ensure that the Council is compliant in their safeguarding duties and responsibilities.

Scope and Objectives

The primary objectives of the review were to confirm: -

- Safeguarding, Child Protection and Vulnerable Adults Risk Management policies are in place.
- That lead officer and key contacts are designated and responsibilities assigned.
- That adequate training programmes have been established.
- Whether a Section 11 audits has been completed.
- Procedures are in place to record and process cases referred.
- Recruitment policies include safeguarding arrangements.
- DBS checks are completed for designated posts.
- Safeguarding issues are fully embedded within procurement practices.
- Information sharing and interagency working arrangements are in place.
- Safeguarding case recording is effectively secured.
- Details of serious case reviews are obtained and disseminated to increase awareness.

Conclusion

The conclusion of the audit was that the effectiveness of safeguarding arrangements is **limited assurance** (Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed).

It is acknowledged that the majority of issues have been identified by the Policy and Communications Manager and are detailed within the S11 self-assessment audit and if/when the actions required are completed this would result in an improved classification. (Appendix 1: Internal Audit Consortium Opinion Definitions)

Findings and Recommendations

Background:

1. Section 11 of the Children Act 2004 places a statutory duty on key people and bodies including district councils to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children. District councils contribute to the five outcomes of the government's vision for children's services – 'Every Child Matters', in several ways:
 - housing - preventing homelessness, providing supported accommodation for young parents and care leavers;
 - planning - providing appropriate play facilities in new housing developments, making road safety schemes child friendly;
 - culture, leisure and learning opportunities - for example: provision of local leisure centres, art, crèche and playgroup facilities, museums and theatres;
 - environmental health services - for example: promoting the health of children, particularly in relation to food hygiene and nutrition;
 - work on community safety and as a licensing authority;
 - roll-out of children's centres;
 - delivering benefits; and
 - local employment
2. In terms of vulnerable adults, upper tier councils have the statutory duty under the Care Act 2014 to establish Safeguarding Adult Boards and to lead a multi-agency local adult safeguarding system that seeks to prevent abuse and neglect and stop it quickly when it happens. The Council works as an agency within the Derbyshire Safeguarding Adults Board with representatives attending quarterly meetings
3. The range of situations where a safeguarding incident may occur is significant, from minor risks occurring as a result of an isolated case of poor practice through to major risks resulting from multiple allegations of abuse that involve or may impact upon multiple victims. To be effective, policies and procedures should provide clarification and guidance across a range of situations and allow incidents to be effectively categorised and investigated.

Previous Audit Recommendations

4. As this was the first audit review of safeguarding, no recommendations had previously been made

Safeguarding and Child Protection Policies

5. The Safeguarding – Protecting Children and Vulnerable Adults Policy and Procedures was approved by the Joint Cabinet and General Committee in December 2015.
6. It is scheduled for review in December 2018 (3 years after introduction), with the Cabinet Member for Health and Wellbeing having delegated authority to approve essential safeguarding policy and procedure amendments between the formal review periods.

7. The S11 self-assessment recently undertaken by the Policy and Communications Manager indicates a schedule review every 2 years.
8. It was also evidenced that the Policy and information regarding safeguarding is available on the Councils intranet site 'Aspire'
9. It is recognised that the Employee Code of Conduct is out of date and consequently does not refer to safeguarding and promoting the welfare of children. This issue is highlighted within the S11 self-assessment audit, and has a target date of December 2017 to update the code of conduct to raise awareness. In addition the code is to be covered within induction training for all new starters (R3)
10. It was confirmed that the Councils Whistle Blowing Policy was updated in January 2016 and incorporates appropriate references to safeguarding policy and requirements

Lead Officer and Key Contacts

11. The Executive Director is the Senior Leadership Team lead for safeguarding with the Policy and Communications Manager the designated lead officer for safeguarding.
12. Safeguarding is not explicit within the job descriptions of the Executive Director nor the Policy and Communications Manager; however it is within their key responsibilities and service plan.
13. Safeguarding leads were identified for all service areas, with leads also identified with key partnership services (Arvato and Kier)
14. A review of safeguarding leads identified employees that had left and an omission in that the OSD didn't appear to have a safeguarding lead.
15. By discussion with the Policy and Communications Manager it was confirmed that due to restructures within the organisation an update to service level safeguarding roles is required
16. This issue has been identified and addressed on the S11 self- assessment audit concluded in April 2017 (R3)
17. A safeguarding group consisting of safeguarding leads has been formulated, however due to the restructures the last meeting was 29th November 2016. Again the membership will need review once the update to service level safeguarding roles is concluded. (addressed on the S11 self-assessment audit R3)
18. Scheduled quarterly meetings have been established in respect of 2017/18 with the next meeting scheduled for 24th May 2017.
19. It is anticipated that key messages, feedback and lessons learnt will be discussed at these meetings and any appropriate information disseminated accordingly.

20. A review of minutes confirms the above.

Recommendations	
R1	Consideration should be given to incorporating the overall responsibility for safeguarding within the job description of the Executive Director/Policy and Communications Manager. (Priority: Low)

Training

21. Level 2 training has been completed by both the Executive Director and the Policy and Communications Manager, who in turn have cascaded the information to appropriate safeguard leads.
22. In addition bespoke training courses (offered by DCC or Safer Derbyshire) are attended where appropriate.
23. During 2016/17, mandatory safeguarding training to Level 1 was initiated for all staff either via on-line training or attendance at briefing seminars. A review of statistics on numbers completing the training indicates that 62% of staff completed the training. (348 on-line plus 218 attendance at briefing session; payroll indicates number of employees as 910 (689 monthly paid and 221 weekly paid)
24. In addition the Policy and Communications Manager during June 2016 provided a core brief to Service Managers for use at team meetings
25. It was confirmed that the induction checklist incorporates a session on safeguarding to ensure all new starters are aware of the policy.
26. The S11 self-assessment highlights that further training may be required once the review of safeguarding leads is concluded (R3).
27. In addition it was anticipated that mandatory safeguarding for all staff will be available on the new e-learning system in May 2017, which would assist in monitoring and ensuring that staff have completed the training. Refresher training then being required on a 3 yearly basis.
28. The target date of May 2017 is unlikely to be achieved due to the additional workload within the service as a result of elections.
29. It was confirmed that mandatory Information Security Training has been loaded onto the Aspire Learning module with a completion date of 9th May 2017 for all users.

Recommendation	
R2	It is essential that training is adequately monitored to ensure all appropriate employees undertake necessary training within the given timescales (i.e. Information Security Training, Safeguard Training) (Priority: Medium)

Section 11 Self-Assessment

30. It was confirmed that a S11 self-assessment has been completed in March 2017 and the points raised will be discussed at the Safeguarding Officers group.
31. A review of the S11 self-assessment concludes that the majority of issues identified during the course of the audit have been highlighted with appropriate action to be taken
32. In addition Derbyshire Safeguarding Children Board has recently requested completion of the Strategic and Organisational Self-Assessment S11 Audit Tool, which the Policy and Communications Manager has completed and returned on the 24th April 2017.

Recommendation	
R3	It is essential that the issues identified within the S11 self-assessment are addressed within the timescales indicated by the Policy and Communications Manager <i>(Priority: High)</i>

Procedures for Recording and Processing Cases

33. Details of all cases are held on the Councils 'S' Drive. It was confirmed with IT that access to the folder is restricted specifically to designated officers within the Policy Service
34. As the folder is maintained on the server, the contingency and back up arrangements are in place as with all other systems data.
35. No specific cases were reviewed during the audit

Recruitment and DBS checks

36. A report is being prepared in respect of providing an update as a review of Disclosure and Barring Service checks across the Council
37. The review details job roles and posts and the level of check currently undertaken and the level of check required to comply with the DBS Code of Practice
38. The report is still in draft stage, but is hoped will be presented to CMT/SLT in the near future, and has been identified on the S11 self-assessment with a target completion time of September 2017 (R3)

Procurement Practices

39. The Authority does not currently have a procurement strategy.
40. It is envisaged that there will be a Joint Procurement Strategy with the NHS Procurement team

41. It was established that the NHS Procurement Unit are reviewing their documentation to incorporate a clause in respect of safeguarding within the standard documents
42. To ensure agreement with CBC the NHS Procurement Unit have contacted CBC legal team, who are currently reviewing CBC contract documentation and have agreed to send the NHS copy documentation to replace existing on completion. The legal team objective is to capture a phrase which covers compliance with all Council policies which may then be utilised for all Council contracts
43. In instances where goods/services are procured direct by a service, the service needs to potentially add to the industry standard terms and conditions any supplementary Local Government T&C' such as compliance with policies e.g. safeguarding

Recommendation	
R4	<p>The Safeguarding Lead Officer should liaise with relevant parties to :-</p> <ul style="list-style-type: none"> • ensure that the procurement strategy being prepared incorporates adequate reference to 'safeguarding' • ensure that on conclusion of the legal review of CBC contract documentation, any revisions (in particular reference to safeguarding) is disseminated to all relevant parties. • provide a procedure that where contract documentation is not in place, contractors are aware and accept responsibilities in relation to safeguarding <p>(Priority: High)</p>

Hire Contracts

44. It was confirmed that the standard hire contract with regard to Venues incorporates appropriate wording in respect of safeguarding
45. A review of hire contracts in respect of the Leisure Centre (QPSC) identified that safeguarding was contained within the Insurance Arrangements and relates solely to DBS checks.
46. Discussion with a small number of employees(across three service areas) as to the process of how to process any potential concerns in respect of safeguarding varied from referral to the Council's safeguarding policy and guidelines, to input on the Councils SHE (Health and Safety system) with an e-mail direct to the Policy and Communications Manager
47. It is noted that the S11 self-assessment refers to a poster to be developed and displayed in all CBC and partner staffing areas which will include referral routes and information sharing, and is an example of learning from 'best practice' at other Derbyshire Authorities (R3)

Recommendations	
R5	It would be prudent to review the hire terms and conditions with the objective of ensuring the adequacy of the safeguarding clauses and ensuring consistency across services (Priority: Low)
R6	Safeguarding needs to be further embedded within the Authority to ensure all employees are aware of the procedure to follow should safeguarding issues arise (Priority: Medium)

Information Sharing and Interagency Working

48. The CBC safeguarding group has Terms of Reference and key objectives which includes identify, support and share best practice on safeguarding and related emerging issues, feeding into and from key relationships
49. The S11 self-assessment has identified that there is an opportunity to improve the timing of CBC safeguarding group meetings to coincide with Derbyshire level activity and to learn form best practice at other Derbyshire Authorities (R3)
50. It was confirmed that the Executive Director attends the Derbyshire Safeguarding Children Board
51. BDC and Amber Valley BC represent the District Councils at Derbyshire Safeguarding Adults Board. Safeguarding Leads at all Districts are consulted and given access to agenda and papers prior to the meeting taking place so that they can raise any issues. In addition there is feedback and access to minutes
52. The role of the District Councils is to refer safeguarding adult and child cases on to DCC Social Services and the Police as appropriate as they are the lead organisations with the responsibility for investigation and case management. District Councils' responsibilities are discharged upon notification of the case to the lead organisations

Acknowledgement

53. The auditor would like to thank the Policy and Communications Manager for her helpful assistance during the audit

Internal Audit Consortium Opinion Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Internal Audit Report – Implementation Schedule

Report Title: Safeguarding				Report Date: 24 th May 2017				
				Response Due By Date: 15th June 2017				
	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	Consideration should be given to incorporating the overall responsibility for safeguarding within the job description of the Executive Director/Policy and Communications Manager.	L	In part	MR	Sept 2017			Safeguarding has been identified within the SLT key responsibilities document as being assigned to an Executive Director. The Policy and Communications Manager JD to include Safeguarding.
R2	It is essential that training is adequately monitored to ensure all appropriate employees undertake necessary training within the given timescales (i.e. Information Security Training, Safeguard Training)	M	Agreed	HR	Mar 2018			Information security training has now been completed. Safeguarding training will be in the next tranche for aspire learning.
R3	It is essential that the issues identified within the S11 self-assessment are addressed within the timescales indicated by the Policy and Communications Manager	H	Agreed	DR	Mar 2018			

Page 236

Internal Audit Report – Implementation Schedule

Report Title:	Safeguarding	Report Date:	24 th May 2017
		Response Due By Date:	15th June 2017

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R4	The Safeguarding Lead Officer should liaise with relevant parties to :- <ul style="list-style-type: none"> • ensure that the procurement strategy being prepared incorporates adequate reference to ‘safeguarding’ • ensure that on conclusion of the legal review of CBC contract documentation, any revisions (in particular reference to safeguarding) is disseminated to all relevant parties. • provide a procedure that where contract documentation is not in place, contractors are aware and accept responsibilities in relation to safeguarding 	H	Agreed	RON/ V D/DR	Mar 2018			Further exploration is needed with the NHS re: procurement strategy and framework position.

Page 237

Internal Audit Report – Implementation Schedule

Report Title:	Safeguarding	Report Date:	24 th May 2017
		Response Due By Date:	15th June 2017

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R5	It would be prudent to review the hire terms and conditions with the objective of ensuring the adequacy of the safeguarding clauses and ensuring consistency across services	L	Agreed	VD	Mar 2018			
R6	Safeguarding needs to be further embedded within the Authority to ensure all employees are aware of the procedure to follow should safeguarding issues arise	M	Agreed	DR	Mar 2018			

Page 238

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:	Donna Reddish – Policy and Communications Manager	Date:	15.06.17
--------------------------------	---	--------------	----------

Note: In respect of any High priority recommendations please forward evidence of their implementation to internal audit as soon as possible.

Page 239

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

For publication

Outstanding Internal Audit Recommendations

Meeting:	Standards and Audit Committee
Date:	September 20th 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 To present for members' information a summary of outstanding internal audit recommendations and the progress being made to implement them.

2.0 Recommendations

2.1 That the report be noted.

2.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.

2.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2018.

3.0 Report details

3.1 It has previously been agreed by the Standards and Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards and Audit Committee every 6 months.

- 3.2 The implementation of audit recommendations is being monitored by the Corporate Management team on a regular basis and they have committed to being pro- active in ensuring that recommendations are implemented as agreed where possible.
- 3.3 Attached, as Appendix A, is a summary of outstanding internal audit recommendations as at the end of August 2017. The front page of Appendix A provides an analysis of the number of recommendations made against the number outstanding.
- 3.4 The majority of outstanding recommendations relate to the areas of IT Security, Procurement, Data Protection, Non Housing Property Repairs, Business Continuity and Emergency Planning, Section 106 and Health and Safety. The majority of these areas are included for a revisit as part of the 2017/18 internal audit plan.
- 3.5 The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.

4.0 **Alternative options and reasons for rejection**

- 4.1 The report is for information.

5.0 **Recommendations**

- 5.1 That the report be noted.
- 5.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.
- 5.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2018.

6.0 **Reasons for recommendations**

- 6.1 To inform Members of the internal audit recommendations outstanding so that they can assess if appropriate and timely action is being taken.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	This report links to the Council's priority to provide value for money services.

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Summary of outstanding audit recommendations as at the end of August 2017

Appendix A

Summary of Outstanding Internal Audit Recommendations as at end of August 2017

Recommendations Made	2014/15	2015/16	2016/17
Number of High Priority	54	58	40
Number of Medium Priority	34	42	48
Number of Low Priority	25	21	30
Total	113	121	118
Recommendations Implemented	111	110	91
Number of high recommendations outstanding	2	5	12
No of medium recommendations outstanding	0	5	6
Number of Low recommendations outstanding	0	1	0
Outstanding but not overdue	0	0	9
Total Outstanding	2	11	18
Percentage due implemented	98%	91%	83%

N.B Where recommendations are raised in more than one year these are only reflected in the first year raised

Outstanding Internal Audit Recommendations 2014/15

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
IT Security December 14	<p>R1 It is essential that the current Council's Use of ICT by Employees Policy is reviewed to determine if it is still fit for purpose. If it is deemed not fit for purpose that a new ICT policy should be devised in accordance with the risk appetite, strategies and direction of business of the Council</p>	H	<p>End May 2015</p> <p>Revised date end October 2017</p>	<p>August 17 Update – Policies developed and consulted on. Changes to processes are now in train. Policies will be formally approved by portfolio holder in October.</p>
Procurement – February 2015	<p>R3 The Council should publish a procurement toolkit on the Council's intranet and provide relevant Service Managers/Managers with compulsory training. This should include:</p> <ul style="list-style-type: none"> • The Council's contract procedure rules. • EU legislation requirements. • Local Government Transparency Code 2014. • Confirmation of the respective roles in the procurement process. • Procurement methods and best practice. 	H	<p>September 15</p> <p>Extended to 3 months after SLA sign off date</p>	<p>Manager Responsible : Rachel O'Neil</p> <p>August 17 Update – Member training delivered. Procurement e learning developed, but not yet rolled out to staff as we have requested a change to service delivery from our NHS partners.</p>

Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
<p>Data Protection – May 2015</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 260</p>	<p>R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale</p>	<p>H</p>	<p>November 15</p> <p>Revised Date September 16</p>	<p>Manager Responsible: Rachel O’Neil/Tony Smith/Gerard Rogers (as SIRO)</p> <p>August 2017 update – Data Protection training rolled out to staff through learning pool. CMT working with service managers to move to 100% completion of the modules. Feedback from training is being evaluated by Information Assurance Manager. Programme of cultural awareness, including the new GDPR is being implemented. Aspire being used to provide information.</p>
<p>Data Protection – May 2015</p>	<p>R3 The review of Council forms used to collect personal data, be concluded by the revised implementation date 1st June 2015, with appropriate action being taken on any forms which are considered not to have a robust and consistent</p>	<p>H</p>	<p>End July 15</p> <p>Revised Date March 18</p>	<p>Manager Responsible: Rachel O’ Neil/ Tony Smith/Gerard Rogers (as SIRO)</p>

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
	fair processing notification.			August 17 Update – The work is being captured as part of the Information Assurance system population. There is still a vacancy within this service area and therefore completion has been delayed. This will be completed by year end.
Non Housing Property Repairs July 15 <small>Page 9 of 161</small>	R3 As previously agreed, a report to the Council should be prepared indicating the outcomes of the property condition surveys undertaken and the levels of maintenance required, subsequent to which liaison must occur between the Council and the service provider to provide guidance on the levels of contributions available and the level of maintenance affordable (both revenue and capital)	H	September 15 Revised date October 17	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan August 17 update – Kier have undertaken maintenance plans of 14 major properties within the portfolio. These are being discussed with the Premises Managers of these properties. A monthly meeting now takes place with Kevin Hanlon to discuss progress and potential savings to the PRF contributions. Once there has been a clear system set for the 14 plans we will complete the remainder of the maintenance plans and continue to report the outcome to Kevin Hanlon.
Non Housing Property Repairs July 15	R5 In conjunction with R2, when the new 10 year cycle is established it must be transparent as to what works are included within the cycle with the	H	On-going	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan/Kevin Hanlan

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
	programme being adhered to as much as is practical. In instances where works are deferred or brought forward for any reason the plan should be updated to reflect the changes			As above
Corporate Credit Cards – March 2016	R1 To strengthen controls procedure notes / guidance outlining acceptable usage and control / security of cards should be documented and issued to corporate credit card holders	H	September 2016 Revised Date April 17	Manager Responsible: Richard Staniforth Update August 2017 - Procedure notes to be e mailed to card holders this month
Data Protection – May 2015 Page 262	R11 Consideration be given to utilising the information gathered from the review of Council forms as a building block to create a Council Personal Data Asset Register to comply with proposed EU legislation	M	December 15 Revised to March 2018	Manager Responsible: Rachel O’ Neil/ Tony Smith/Gerard Rogers (as SIRO) August 2017 Update – A system has now been procured and this is being populated to create an asset register. This will be completed by year end, in time for the GDPR implementation.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 15	R6 It should be clarified that the condition surveys relate to Council premises (as opposed to assets e.g. Car parks) and is a finite 5 year exercise and not a rolling exercise	M	Further discussion required	Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan Matt Sorby to clarify with Michael Rich
Non Housing Property Repairs July 15 Page 263	R7 It is essential that on conclusion of the 5 year review, a comprehensive comparison to the estates list is undertaken to ensure that there have been no omissions e.g. Coach station, public conveniences	M	31 st March 2016	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan Matt Sorby to clarify with Michael Rich that this has been actioned
Procurement – March 16	R6 The CBC website requires updating with the Contracts Register to comply with the Local Government Transparency Code 2015	M	Within 3 months of SLA sign off	Responsible Manager: Rachel O’Neil August 2017 Update – Publication delayed as details of contracts over £50k does not meet legislation. NHS partnership asked to take on responsibility for all contracts and we await a price for this work. This is scheduled for receipt in late September. Publication will take place from December 2017.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Business Continuity and Emergency Planning arrangements October 2015 Page 25	R2 Once the new Corporate Management Team structure has been established then it should be ensured that Service Area Business Continuity plans are:- <ul style="list-style-type: none"> • Aligned to the new structure • Brought up to date • Appropriately distributed Updated at least annually	M	SS to commence once new CMT structure agreed and further developed and completed once positions filled – March 17	Manager Responsible: Sam Sherlock July 17 Update - The following business continuity service area arrangements are outstanding: <ul style="list-style-type: none"> • Customers, Commissioning and Change - Rachel O'Neil • Economic Growth - Neil Johnson • Health and Wellbeing - Martin Key August 2017 Update – the plans are available in draft and will be provided to the Business Continuity Officer.
Bank Reconciliation August 2015	R1The bank reconciliation procedure notes should be updated to reflect any changes in procedure once the transfer of the Councils bank account to Lloyds Bank has been fully implemented	L	31 st October 2015 Postponed to 31 st Dec 2015 Extended to September 2017	Manager Responsible : Helen Fox Update August 2017 – Accountancy restructure now complete and implemented from June 17. Procedure notes to be updated ASAP.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				than from DCC. We will send out a final reminder with a course of action that we will be compiling a report to sign off by committee if we receive no response. We have started to prepare the reports for the Member sign off on a case by case basis.
Section 106/CIL – September 2016	R3 Evidence should be provided to confirm payment of the offsite play contribution (£38,800) and the highways contribution (£5,000) for CHE/05/00053/FUL.	H	March 17	Manager Responsible: Neil Johnson August 2017 Update – as per R2
Section 106/CIL – September 2016 Page 266	R10 Consideration should be given to providing the planning committee with an annual report that details all section 106 agreements and there current status including outstanding obligations not received.	H	April 2017 Revised to April 18	Manager Responsible: Neil Johnson August 2017 Update – An annual report to Planning Committee and Cabinet, detailing status of all S106 agreements including financial, and an annual CIL report will be made in April 2018 and subsequent end of financial years. This will include all monies received and spent. A report will be going to Council

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				in December 2017 to agree the prioritisation of CIL spend.
IT Network Security Review/Cyber Security – October 16 Page 26	R1 It should be ensured that ICT Policies are updated and implemented as current policies are outdated.	H	31 st March 2017	Manager Responsible: Rachel O’Neil August 2017 Update – Policies developed and consulted on. Changes to processes are now in train. Policies will be formally approved by portfolio holder in October.
IT Network Security Review/Cyber Security – October 16	R6 Consideration should be given to introducing new procedures and guidelines for the remediation of security threats, this should include timescales for addressing the risks identified dependant on the level of risk. These should be agreed and approved by CBC.	H	Implementation of vulnerability management guidelines by 31/03/2017	Manager Responsible: Rachel O’Neil August 2017 Update – New policies and procedures have been developed, which incorporate timescales. Arvato have provided a patching proposal and patching is now being implemented in a timelier manner. Vulnerability procedures have been developed and provided to Arvato for a cost. We are currently negotiating a suitable solution with them. Nessus software will provide us with assurance. PSN achieved for 2017. Arvato and CBC are working towards completion of a remediation plan for achievement of PSN in January 2018.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
Health and Safety – November 16	R1 A review of all Health and Safety policies, protocols and guidance should be undertaken to ensure they are up to date and reflect the most current legislation and approved codes of practice.	H	July '17 Revised Date End 2017	Manager Responsible: Martin Key Update August 2017 – An initial review of the policies has been undertaken and a prioritized list has been produced. It is proposed to significantly rationalize the number of policies to produce a primary policy with embedded links to supporting national guidance and a small number of individual key policies. This work is programmed for completion by the end of 2017.
Health and Safety – November 16 Page 268	R6 It is essential that the programme of Health and Safety audits are recommenced as soon as possible.	H	30 TH June 2017	Manager Responsible: Martin Key Update August 2017 - The review of the health and safety unit has been completed and reported to SLT. It is proposed to focus on a more formal inspection plan to ensure that health and safety performance and risk is fully evaluated in addition to systems review. A full business case will be developed by October 2017 for a service redesign and this will be considered by CMT in October 2017.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
<p>Health and Safety – November 16</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 269</p>	<p>R7 It is essential that the Corporate Asbestos Management Plan is reviewed as soon as possible.</p>	<p>H</p>	<p>May 17</p>	<p>Manager Responsible: Martin Key</p> <p>August 2017 Update – The surveys of all corporately occupied buildings is now complete and the Keystone system is now operational. Analysis of the survey reports will commence in September using external specialist support to develop a prioritized action plan. In addition the last Asbestos Steering Committee considered a draft management plan which will be further considered at the next meeting on the 2 October 2017.</p>
<p>Health and Safety – November 16</p>	<p>R8 It is essential that the programme of inspections and surveys of the Council-owned non-domestic premises to make a materials assessment for asbestos is commenced as soon as possible.</p>	<p>H</p>	<p>January 2017</p>	<p>Manager Responsible: Martin Key</p> <p>August 2017 Update – The surveys of all corporately occupied buildings is now complete and the commercially let stock will be complete by the end of September 2017.</p>
<p>Health and Safety – November 16</p>	<p>R11 It must be ensured that the Managing contractors code of practice and related procedures must be adhered to. If departmental failings are identified the appropriate reminders / training should be given</p>	<p>H</p>	<p>March 2017</p>	<p>Manager Responsible: Martin Key</p> <p>August 2017 Update – A working group has been established to review the managing contractors' procedures. This will address both</p>

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				the process and documentation.
Accounts Payable – March 17	R11 It is essential that a new remittance system is introduced with the removal of the outdated system	H		Manager Responsible : Kate Harley Update August 2017 - discussions are taking place with Arvato in respect of funding, the specification for the system has been drafted.
Crematorium – May 16	R1 The planned reconciliation between actual memorials in situ and memorial records held electronically / in registers should be undertaken as soon as possible.	M	30 th June 207	Manager Responsible : James Drury July 17 – started but on-going
Crematorium – May 16	R2 Continued efforts should be made to input details of memorials from the old memorial registered onto the BACAS system to aid with the renewals process.	M	30 th June 2017	Manager Responsible : James Drury July 17 – on-going
IT Network Security Review/Cyber Security – October 16	R3 ICT need to review secure transfer of data, emails in particular, potentially by configuring the exchange server, ensuring that secure data transfer solution is introduced and that staff are made aware.	M	Awaiting date from supplier March 2018	Manager Responsible: Rachel O’Neil August 207 Update – A corporate file sharing solution has been implemented. Arvato are working to implement a secure email solution following completion of the ICT review and this will be in place by year end.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
<p>Health and Safety – November 16</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 271</p>	<p>R3 Generic training needs for all employees should be reviewed to ensure training is up to date.</p>	<p>M</p>	<p>February 2017</p>	<p>Manager Responsible: Martin Key</p> <p>August 2017 Update – The responsibility for ensuring training is identified and implemented sits with the relevant manager. Learning Pool is now live and the key health and safety training has been included.</p>
<p>Health and Safety – November 16</p>	<p>R5 Procedures for monitoring and measuring performance in respect of the Corporate Health and Safety Unit should be identified and reported on a periodic basis.</p>	<p>M</p>	<p>June 2017</p>	<p>Manager Responsible: Martin Key/ Health and Safety Committee</p> <p>August 2017 Update – The review of the Health and Safety unit has been completed and reported to SLT. A full business case will be developed by October 17 for a service redesign and following that a new set of performance indicators can be considered by the health and safety committee.</p>
<p>Payroll February 17</p>	<p>R8 It should be ensured that all requests for payments are signed an by authorised signatory</p>	<p>M</p>	<p>January 2017</p>	<p>Manager Responsible : Kate Harley</p> <p>Update August 2017: CBC are in</p>

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				the process of compiling a complete list of electronic signatures for checking purposes, this is well under way

For publication

Constitution Updates

MEETING: Standards and Audit Committee

DATE: 20th September 2017

REPORT BY: Monitoring Officer

For publication

1.0 Purpose of report

1.1 To seek member approval for updates to the Constitution.

2.0 Recommendations

2.1 That the Constitution be amended to take account of the recommended changes in this report.

2.2 That the Constitution as amended be published.

3.0 **Background**

- 3.1 The Constitution is a key document, required by law, which sets out the principal powers, duties and procedures of the Council. It also sets out to whom decision making over the Council's various functions are delegated.
- 3.2 The current form of Constitution has been in place since the early 2000s and follows a government model proposed at the time. Most council constitutions follow a similar format, though some are now moving away from it.
- 3.3 The Constitution needs to be changed from time to time to ensure it reflects current practices, functions and structures and efficient working of the authority.
- 3.4 This report recommends a range of changes reflecting the need to facilitate property sales and acquisitions as part of the council's budget strategy, strengthening internal audit procedures, and increasing greater flexibility over sealing Council documents.
- 3.5 Various consequential amendments may need to be made to other parts the Constitution, numbering etc to ensure consistency and reflect these changes.

4.0 **Property Disposal Delegations**

- 4.1 In Part 3 of the Constitution there is a variety of powers to acquire and dispose of land. Mostly acquisition of land or surplus land disposal is delegated to the relevant Cabinet member, subject to the Leader's responsibility for key sites. There is an officer delegation for industrial sites. Cabinet member for Economic Growth can dispose of housing land "of little or no value."
- 4.2 The Council has established a Finance and Performance Board to have strategic oversight of the Council's financial affairs and performance and give proactive leadership of the council's strategic projects and programmes. It meets fortnightly and comprises the Leader and Deputy Leader, the Chief Executive, the Executive Directors, the Director of Finance and Resources and Chief Accountant.
- 4.2 As part of its terms of reference the Board approves property acquisitions and disposals over £250,000 in value. Appropriate formal delegations are needed to put this into effect. As the Board is not a formal council

committee nor an executive meeting it is suggested that an officer delegation is the most effective way to achieve this.

- 4.3 The Council also has a Land Disposal Group meeting monthly which considers land disposals. This is an officer group which includes an Executive Director, the Director of Finance and Resources and other relevant managers and officers. It considers disposal of land which is surplus to the requirements of the Council and makes recommendations to the Finance and Performance Board for disposal in the case of sites valued at over £250,000.
- 4.4 An officer delegation is needed so that decisions can be made as a result of consideration by the Group.
- 4.5 The proposed changes are shown in Appendix A.

5.0 Internal Audit Procedures

- 5.1 Financial procedures in Part 4 of the Constitution were reviewed in 2016, Changes to Internal Audit provisions within this part of the constitution have been reviewed further.
- 5.2 It is recommended that some provisions deleted in the 2016 review be reinstated as these set out in detail and transparently the powers and responsibilities relating to internal audit.
- 5.3 In addition service managers' responsibilities under the Finance Rules be clarified to help ensure that internal audit reports are responded to promptly and that agreed recommendations are implemented in agreed timescales.
- 5.4 The proposed changes are shown in Appendix B.

6.0 Sealing of Council Deeds

- 6.1 Currently all Council documents executed under the Council's seal must be signed by the Mayor (or Deputy Mayor) plus an Authorised Signatory (usually a Council solicitor). Changes approved in October 2016 mean that in the absence of the Mayor/Deputy Mayor or in cases where a document must be completed urgently two authorised signatories can sign deeds. Authorised signatory means the Local Government and Regulatory Law Manager or any other person authorised by them in writing.

- 6.2 While it is a longstanding tradition of the Council for the civic leader to sign formal documents, it is not always practicable for the Mayor/Deputy Mayor to be available to sign documents in their busy schedules. This can lead to potential delays in completion of transactions. Often signing can take considerable time in view of the number of documents and the number of places each document, plans and amendments need to be signed and initialled.
- 6.3 It is proposed that while the facility be retained for signature by the Mayor / Deputy Mayor greater flexibility be introduced by the power for authorised signatories being extended to enable officer signature instead of either of the civic leaders.
- 6.4 The proposed changes are shown in Appendix C.

7.0 Human Resources/people management implications

- 6.1 The changes will enable more efficient working of the authority, reflecting the current structure and best practice. Officers and members will be able to operate within a clear framework.

6.0 Financial implications

- 6.1 The report proposes changes which will lead to greater efficiency and enable quicker approval of relevant land disposals following detailed consideration by relevant groups. This will help achieve the council's strategic budget objectives. Changes to internal audit provisions will help ensure the integrity and performance of the internal audit regime and that its recommendations are put into effect within agreed timescales. Changes to procedures for signing deeds will help ensure that legal processes can be completed in a timely way, ensuring that capital receipts are not delayed.

5.0 Legal and data protection implications

- 5.1 The Council must have a Constitution and this must be updated periodically to reflect current practices and decision making structures: it is a living document. Some changes flow from, eg changes in legislation or decisions made by the council or restructured posts replacing previous posts. Other changes need formal approval.
- 5.2 While the main Constitution changes are authorised by full Council, Council has previously delegated authority to Standards and Audit Committee to approve more routine Constitution changes.

6.0 Equalities Impact Assessment (EIA)

6.1 A preliminary EIA been carried out. The changes do not have any equalities implication and is not anticipated to have a disproportionate impact on any group. A copy of the EIA is attached at **Appendix D**.

7.0 Risk management

7.1 This report concerns updates to the Constitution to enable efficient and legal operation of Council decision making, to strengthen internal audit procedures and to introduce more flexible and efficient procedures for signing Council documents.

Description of risk	Impact	Likelihood	Mitigating Action
Constitution not reflect current requirements of the Council	H	M	Regular review of all parts of the Constitution and appropriate proactive and reactive amendment.
The need to obtain formal authority for disposals and acquisitions which have been considered by relevant groups causes delays to marketing and capital receipts.	H	M	Increase officer delegations so that decision can be made after detailed consideration by relevant office/member group.
Internal audit provisions are not robust leading to less cooperation with the internal audit process and delay in implementation of recommendations.			Reinforce and clarify Constitution provisions.
Sealing of documents is sometimes delayed when the Mayor and Vice Chair are not	H	M	Adjust authority to seal documents so that in these circumstances two duly authorised

available or have other engagements.			signatories can attest the document instead of the Mayor/Deputy Mayor.
--------------------------------------	--	--	--

8.0 **Alternative options and reasons for rejection**

8.1 **Do not change the Constitution:** The Constitution must be updated to time to reflect the current structure and legal functions and appropriate procedures. The Constitution is required by law and must be reviewed on a rolling basis.

8.2 **Do not change land disposal delegations:** a formal report would need to be submitted to members for approval. This would cause unnecessary delay and divorce the decision making process from detailed consideration of whether or not to dispose on a case by case basis.

8.3 **Do not change Internal Audit provisions:** The recommended changes are to help ensure that service managers give appropriate attention to and cooperation with the internal audit process. This is a concern of Standards and Audit Committee.

8.3 **Do not change signing provisions:** The option for greater flexibility for signature by officers would not be incorporated meaning that the Mayor/Deputy Mayor would continue to sign all deeds unless absent.

9.0 **Recommendations**

9.1 That the Constitution be amended to take account of the recommended changes, and that any consequential amendments be made.

9.3 That the Constitution as amended be published.

10.0 **Reason for recommendations**

10.1 To ensure effective and efficient operation of the Council.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	to provide value for money services

Document information

Report author	Contact number/email
Gerard Rogers	01246 345310 gerard.rogers@chesterfield.gov.uk
Background documents	
The Council's Constitution – on Council website	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix A	Approval of Land Acquisition / Disposal
Appendix B	Internal Audit Provisions
Appendix C	Signing of Deeds

Appendix A

Approval of Land Acquisition / Disposal

Amendment to Delegations Part 3 of the Constitution

- A To the Chief Executive, an Executive Director or the Director of Finance and Resources:

Notwithstanding any other delegations in Part 3, after consultation with members of the Finance and Performance Board to approve the acquisition and disposal of land of a value up to or exceeding £250,000.

- B To an Executive Director or the Director of Finance and Resources:

Notwithstanding any other delegations in Part 3, after consultation with members of the Land Disposal Group to approve the disposal of land surplus to the requirements of the Council of a value of up to £250,000.

Appendix B

Internal Audit Provisions

Amendment to Finance Rules Part 4 of the Constitution

1 Status of and responsibilities under the Finance Rules

...

(b) Responsibilities of Service Managers

Service Managers are responsible for the financial management of their areas, they must:

- Ensure the highest standards of financial probity.
- Ensure compliance with the Finance Rules and any procedures or guidance issued by the Chief Finance Officer within their service area.
- Ensure that a proper scheme of delegation has been established in their area of responsibility and that it is operating effectively.
- Consult Internal Audit before making any changes to financial systems and procedures.
- Monitor monthly the overall financial position of their service area.
- Maintain up to date inventories
- Advise the Chief Finance Officer and relevant Cabinet member on issues/proposals that have a financial impact in their area.
- Provide information to the Council's auditors on a timely basis as required.
- Ensure that any audit recommendations are considered and responded to promptly and that agreed recommendations are implemented in accordance with agreed timescales.

...

2 Audit

(a) Internal Audit

In accordance with the Accounts and Audit Regulations the Council is responsible for ensuring an 'adequate and effective system of internal audit'. The Chief Finance Officer has responsibility for monitoring adherence to the Audit Plan. Audits will be carried out in accordance with CIPFA Guidelines. At the commencement of the financial year the Standards and Audit Committee will approve an audit plan for that year. On a quarterly basis the Standards and Audit

Committee will receive an update report on the progress made in delivering the plan including progress on implementation of internal and external audit recommendations.

The Chief Finance Officer will arrange for the accounting records and systems of internal control of the Council to be subject to an adequate and effective system of internal audit in accordance with proper internal audit practices. The Head of Internal Audit or their authorised representative is authorised to: -

- (a) have access, at all reasonable times, to all Council land and premises;
- (b) examine any records, documents, information or correspondence held by Council officials and members which relate, directly or indirectly, to the Council's finances;
- (c) require any Council official or member to produce any Council-owned cash or property under their control;
- (d) check Council inventories;
- (e) request and receive explanations on any matter under examination.

The Chief Executive, Executive Directors and Service Managers will immediately notify the Chief Finance Officer or the Head of Internal Audit (each of whom will inform the other) of any financial irregularity, suspected irregularity or circumstances suggesting the possibility of an irregularity, including those affecting Borough Council cash and property. Pending investigation and reporting, the Chief Executive, Executive Directors or Service Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

The Head of Internal Audit will immediately investigate such matters and, where there is evidence of possible irregularities, will notify the Chief Executive.

Service Managers must ensure that all the agreed recommendations in audit reports are implemented (see Responsibilities of Service Managers above).

APPENDIX C

Signing of Deeds

Amendment to Attestation of Common Seal Part 2 of the Constitution

14.7 Common Seal of the Council

The Common Seal of the Council will be kept in a safe place in the custody of the Regulatory and Local Government Law Manager.

A decision of the authority, or of any part of it, will be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal will be affixed to those documents which in the opinion of the Regulatory and Local Government Law Manager should be sealed.

The affixing of the Common Seal will be attested by either:

- the Mayor (or the Deputy Mayor) and by an authorised signatory OR
- two authorised signatories

In this paragraph 14.7 “authorised signatory” means the Local Government and Regulatory Law Manager and/or any other person authorised by him/her in writing and “authorised signatories” shall be interpreted accordingly. And production of a copy of this paragraph 14.7 shall be sufficient authority of these authorisations.

APPENDIX D

Equalities Impact Assessment

Chesterfield Borough Council

Equality Impact Assessment - Preliminary Assessment Form

The preliminary impact assessment is a quick and easy screening process. It should identify those policies, projects, services, functions or strategies which require a full EIA by looking at negative, positive or no impact on any of the equality groups.

Service Area: Legal

Section: Legal

Lead Officer: Monitoring Officer

Title of the policy, project, service, function or strategy the preliminary EIA is being produced for: Constitution Updates

Is the policy, project, service, function or strategy:

Existing

Changed

New/Proposed

Q1 - What is the aim of your policy or new service?

The Constitution needs to be changed from time to time to ensure it reflects current practices, functions and structures and efficient working of the Council. The proposal recommends a range of changes reflecting current senior officer structure, and more efficient financial procedures and thresholds as well as some other relevant updates.

Q2 - Who is the policy or service going to benefit?

The updates will support the efficient working of the Council.

Q3 - Thinking about each group below, does, or could the policy, project, service, function or strategy have an impact on protected characteristics below? You may also need to think about sub groups within each characteristic e.g. older women, younger men, disabled women etc.

Please tick the appropriate columns for each group.

Group or Protected Characteristics	Potentially positive impact	Potentially negative impact	No impact
Age – including older people and younger people.			✓
Disabled people – physical, mental and sensory including learning disabled people and people living with HIV/Aids and cancer.			✓
Gender – men, women and transgender.			✓
Marital status including civil partnership.			✓
Pregnant women and people on maternity/paternity. Also consider breastfeeding mothers.			✓
Sexual Orientation – Heterosexual, Lesbian, gay men and bi-sexual people.			✓
Ethnic Groups			✓
Religions and Beliefs including those with no religion and/or beliefs.			✓
Other groups e.g. those experiencing deprivation and/or health inequalities.			✓

If you have answered that the policy, project, service, function or strategy could potentially have a negative impact on any of the above characteristics then a full EIA will be required.

Q4 - Should a full EIA be completed for this policy, project, service, function or strategy?

Yes
 No

Q5 - Reasons for this decision:

The updates are not anticipated to have disproportionate impact on any groups.

Please e-mail this form to the Policy Service before moving this work forward so that we can confirm that either a full EIA is not needed or offer you further advice and support should a full EIA be necessary.

This page is intentionally left blank

Self-assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement: Audit Committees in Local Authorities and Police and this publication. Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

No	Question	Y	Part	N	Comment
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	√			The Standards and Audit Committee is a well-established committee
2	Does the audit committee report directly to full council?	√			The Standards and Audit Committee can make reports to full council. Council receives the minutes of the Standards and Audit Committee
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?		√ Action Plan (1)		<p>CIPFA’s Position Statement says “The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”</p> <p>The Standards and Audit Committee oversee internal and external audit and also receive reports on risk management, the financial statements and approve the Annual Governance Statement.</p>

No	Question	Y	Part	N	Comment
4	Is the role and purpose of the audit committee understood and accepted across the authority?		√ (Action Plan (2) and (3))		The role and function of the Standards and Audit Committee is detailed within the Council's Constitution. The attendance of heads of service etc. at audit committee when major risks or controls are discussed helps to increase understanding of the committee's role.
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√			The Standards and Audit Committee receive regular reports from internal and external audit that highlight any governance issues. The committee reviews all "marginal" internal audit reports and asks officers to attend where an "unsatisfactory" internal audit report has been issued. Officers are required to provide assurance to the committee that internal audit recommendations are being implemented in a timely manner thereby strengthening governance arrangements.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√			The committee reports to full council that oversees their performance. The Director of Finance and Resources, the Local Government Regulatory and Law Manager, the Internal Audit Consortium Manager and external audit can advise the committee of its duties and responsibilities.

No	Question	Y	Part	N	Comment
Functions of the committee					
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> <li data-bbox="363 555 587 622">• Good governance <li data-bbox="363 813 571 880">• Assurance framework <li data-bbox="363 1182 608 1216">• Internal audit <li data-bbox="363 1619 619 1653">• External audit <li data-bbox="363 1809 547 1877">• Financial reporting 	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>The committee's role and function is detailed within the Constitution. Extracts below:-</p> <p>To consider the effectiveness of the control environment, (including approval of the code of corporate governance and the annual assurance statement).</p> <p>To ensure that the council's assurance statements, including the annual governance statement, properly reflect the risk environment and to recommend any actions required to improve it.</p> <p>To receive an annual report from the Head of Internal Audit. To approve (but not direct) the council's internal audit strategy, work plan and to monitor performance. To review internal audits reports and to seek assurance that action has been taken where necessary</p> <p>To review external audits reports and to seek assurance that action has been taken where necessary</p> <p>To review the financial statements and the external auditor's opinion and reports to members (including the external auditor's annual management letter), and to</p>

No	Question	Y	Part	N	Comment
	<ul style="list-style-type: none"> <li data-bbox="368 501 608 568">• Risk management <li data-bbox="368 943 624 1043">• Value for money or best value <li data-bbox="368 1677 624 1749">• Counter-fraud and corruption 	<p data-bbox="727 495 751 528">√</p> <p data-bbox="660 938 820 972">Not explicit</p> <p data-bbox="727 1666 751 1700">√</p>			<p data-bbox="1098 241 1501 416">monitor management action in response to the issues raised. To approve the Authority's statement of accounts</p> <p data-bbox="1098 501 1517 898">To consider the effectiveness of the council's risk management arrangements, to ensure that the Council's assurance statements properly reflect the risk environment, to seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.</p> <p data-bbox="1098 938 1509 1630">No specific mention of VFM but is this inherent within a sound control environment? The role of the standards and audit Committee will need to be determined in the context of what other committees may be doing. For example, a scrutiny committee may oversee service reviews that consider performance against value for money objectives. One specific area of activity for the committee should be consideration of the external audit opinion on value for money.</p> <p data-bbox="1098 1671 1517 1924">To consider the effectiveness of associated anti-fraud and anti-corruption arrangements (including approval and review of the council's anti-fraud and corruption strategy)</p>

No	Question	Y	Part	N	Comment
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		√ Action Plan (4)		This review will help the committee to determine if it is fulfilling its terms of reference.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	√			<p>In addition to the above the standards and audit committee also</p> <ul style="list-style-type: none"> • Consider the council's treasury management strategy and arrangements. • Perform the role of a standards committee to support ethical values <p>Other considerations raised by CIPFA's Position Statement re:-</p> <ul style="list-style-type: none"> • Considering governance, risk or control matters at the request of other committees or statutory officers. • Providing oversight of other public reports, such as the annual report (CBC don't produce an annual report)
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√			All of the core areas appear to be covered
11	Has the committee maintained its non-advisory role by not	√			The Constitution clearly sets out where decision making powers lie.

No	Question	Y	Part	N	Comment
	taking on any decision-making powers that are not in line with its core purpose?				The decisions the committee makes are in line with its core purpose e.g. approval of the Annual Governance Statement, approval of the Anti-Fraud Bribery and Corruption Policy.
Membership and support					
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 	<p style="text-align: center;">√</p> <p style="text-align: center;">√ given there is only 48 councillors</p> <p style="text-align: center;">√</p> <p style="text-align: center;">N/A</p>			<p>The Constitution states membership of the Standards and Audit Committee to be:-</p> <p>Composed of 7 members as follows:</p> <ul style="list-style-type: none"> - five councillors other than the executive leader. No more than one of those five councillors may be a member of the Cabinet - two parish representative members being one member of Staveley Town Council and one member of Brimington Parish Council. <p>Membership from executive members on the committee is discouraged as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters.</p>

No	Question	Y	Part	N	Comment
13	Does the chair of the committee have appropriate knowledge and skills?	√			There are many personal qualities needed to be an effective chair, but key to these are promoting apolitical open discussion, managing meetings to cover all business and encouraging a candid approach from all participants. An interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime are also essential. A specialism in one of these areas would be an advantage.
14	Are arrangements in place to support the committee with briefings and training?	√			<p>The Committee is supported by the Director of Finance and Resources, the Internal Audit Consortium Manager, the Local Government Regulatory and Law Manager and the Democratic and Scrutiny Officer.</p> <p>Training is held when Members are first appointed and at intervals through the term of office.</p>
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<p>√</p> <p>Given there is only 48 Councillors. Skills to improve with experience and training</p>			<p>No one committee member would be expected to be an expert in all areas.</p> <p>Appendix C (audit committees Practical Guidance for Local Authorities and Police) sets out a knowledge and skills framework for audit committee members and the committee chair.</p>
16	Does the committee have good working relations with key people and	√			Internal and external audit, the Local Government Regulatory and Law Manager and the Director of

No	Question	Y	Part	N	Comment
	organisations, including external audit, internal audit and the chief financial officer?				Finance and Resources all regularly attend the Standards and Audit Committee. These officers can access the committee or chair if required. The committee has the right to call any other officers of the authority as required. The committee receives regular internal audit, risk management, treasury management reports etc.
17	Is adequate secretariat and administrative support to the committee provided?	√			There is a Democratic and Scrutiny Officer that provides secretariat and administrative support to the committee
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√ Action Plan (5)	<p>The audit committee should be held to account on a regular basis by the group to which it is accountable – Council. The aspects that should specifically be considered include:-</p> <ul style="list-style-type: none"> • whether the committee has fulfilled its agreed terms of reference • whether the committee has adopted recommended practice • whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities • Whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review

No	Question	Y	Part	N	Comment
					<ul style="list-style-type: none"> What impact the committee has on the improvement of governance, risk and control within the authority. <p>The preparation of an annual report by the committee can be a helpful way to address the key areas where the committee should be held to account.</p>
19	Has the committee evaluated whether and how it is adding value to the organisation?	√			<p>Through review of internal and external reports, monitoring of risk registers and other key strategies, the audit committee will hold to account those responsible for the implementation of recommendations and action plans. In addition by overseeing the process of evaluating and improving governance, risk management and control the audit committee helps those responsible for governance to ensure that accountability throughout the authority is working well.</p> <p>Appendix E (audit committees Practical Guidance for Local Authorities and Police) identifies areas where the audit committee can add value by supporting improvement.</p>
20	Does the committee have an action plan to improve any areas of weakness?	√			To be formulated if the above evaluation highlights any weaknesses

This page is intentionally left blank

CHESTERFIELD BOROUGH COUNCIL – Standards and Audit Committee Self - Assessment
Action Plan June 2017

Page 299

	Action Identified	By Date	Action by
(1)	That Article 9 of the Constitution – Standards and Audit Committee should be updated to reflect that the Committee have the right to call in Officers of the Council to seek assurances and explanations in terms of the governance arrangements of the council.	May 18	Local Government and Regulatory Law Manager
(2)	That consideration be given to adding the role of the Standards and Audit Committee back in to the induction training of Members	May 18	Democratic Services
(3)	That an article be placed in the Borough Bulletin/on Aspire to explain the role and purpose of the Standards and Audit Committee	December 17	Internal Audit Consortium Manager to draft an article for the Standards and Audit Committee in September 2017 with a view to publishing by the end of December 2017
(4)	That the Standards and Audit Committee should undertake a self – assessment on an annual basis	Each April	Standards and Audit Committee
(5)	That the Standards and Audit Committee produce an annual report for Council detailing the work that it has undertaken during the year and how it has added value to the council’s governance arrangements	May 2018	Chair of the Standards and Audit Committee/ Local Government and Regulatory and Law Manager/ Internal Audit Consortium Manager

This page is intentionally left blank

Everything you need to know about the Standards and Audit Committee

The council's Standards and Audit Committee has a vital role to play in how the organisation functions.

The committee is responsible for: –

- Promoting and maintaining high standards of conduct
- Good governance
- Internal Audit
- External Audit
- Risk Management
- The control environment
- Anti-fraud and anti- corruption arrangements
- Carrying out hearings into alleged misconduct by councillors

The committee meets on a regular basis. Chaired by Councillor Mark Raynor it is advised by the director of finance and resources, Kevin Hanlon, the internal audit consortium manager, Jenny Williams, and the monitoring officer, Gerard Rogers. The committee can request the attendance of officers to seek explanations and assurances, particularly in relation to internal audit report findings and recommendations.

Its role is key to providing independent assurance that there are strong internal controls, governance arrangements and risk management procedures in place. The committee works with officers to ensure that action plans are agreed and implemented to strengthen arrangements. The committee reviews and approves one of the Council's key documents, the Annual Governance Statement, each year.

The Committee is also the champion of high standards. By reviewing and approving the Anti-Fraud, Bribery and Corruption Policy the council's zero tolerance approach to fraud is enforced.

Equally important is its role in promoting and maintaining high standards of conduct by councillors of this authority and Chesterfield's two parish councils. It also carries out hearings into allegations of misconduct by a member where there has been an investigation.

This page is intentionally left blank