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The Chair and Members of Standards
and Audit Committee

Dear Councillor,

AGENDA SUPPLEMENT

Please see attached the documents for the agenda item(s) listed below for the meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 17 JULY 2019, the agenda for which has already been published.

5. Appointment to independent remuneration panel (Pages 3 - 8)
9. Audit Report on the 2018/19 Statement of Accounts (Pages 9 - 148)

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

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For publication

Appointment to independent remuneration panel

MEETING: **Standards and Audit Committee**

DATE: **17 July, 2019**

REPORT BY: **Senior Democratic and Scrutiny Officer**

For publication

1.0 Purpose of report

1.1 To provide members with an update on the preparations to re-constitute the Independent Remuneration Panel (IRP) in order to carry out a review of the Members' Allowances Scheme.

2.0 Recommendations

2.1 That the update be noted.

2.2 That a report be brought to the Standards and Audit Committee on 25 September, 2019 to approve the nominations to the Independent Remuneration Panel.

3.0 Background

3.1 The Local Authorities (Members Allowances) (England) Regulations 2003 require the Council each year to make a scheme of Members' Allowances having regard to the recommendations of the IRP.

- 3.2 The Panel last met during 2015 and produced a report which was submitted to Full Council on 16 December, 2015. The recommendations were accepted in full and implemented from 1 April, 2016 (Council Minute no. 58, 2015/16).
- 3.3 One of the approved recommendations allowed for an annual increase in members allowances based on the average level of change in the NJC staff pay award for spinal column points 35-40. However, in line with Section 10 the Local Authorities (Members Allowances) (England) Regulations 2003, this must be reviewed by the IRP after a period of four years.
- 3.4 In addition, following the Borough Elections in 2019 there have been changes to posts that receive special responsibility allowances which now require review by the Panel.

4.0 **Independent Remuneration Panel for 2019-2023**

- 4.1 Previous Government guidance on the appointment of a Panel advises that councils should select a Panel which is truly independent, well qualified to discharge the functions of the Panel and representative of the diversity of the communities in the local authority's area.
- 4.2 The most recent panel was established in 2015, comprising three members, Professor Steve Leach a Professor of Local Government at De Montfort University, Mr Tim Nye and Mr Andy Watterson.
- 4.3 Panel members are entitled to reasonable out of pocket expenses for sitting on a Panel and it is anticipated that any costs can be met from within existing budgets.
- 4.4 Mr Nye has agreed to continue to serve on the Panel for an additional term. The Terms of Reference for the Panel (at Appendix A) state that it should be ensured, where possible,

that the Panel includes someone with experience of the Panel's work.

4.5 According to the terms of reference, the Panel will consist of three members, therefore a further two members will be sought to sit on the panel for the four year period. An update will be provided at the meeting on the progress towards filling the vacant seats.

5.0 **Recommendation**

5.1 That the update be noted.

5.2 That a report be brought to the Standards and Audit Committee on 25 September, 2019 to approve the nominations to the Independent Remuneration Panel.

Document information

Report author	Contact number/email
Rachel Appleyard	Ex 5277 rachel.appleyard@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	Terms of reference

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INDEPENDENT REMUNERATION PANEL Make-up and Terms of Reference

Introduction

Members of the Independent Remuneration Panel are appointed by the Standards and Audit Committee, following advertisement and selection by that committee.

Make-up and Terms of Office

The Panel shall consist of three members, with a quorum of 2, and shall elect a Chair.

The terms of office of the three members shall be four years, subject to phasing of appointments (where possible) to ensure that there is always one member of the panel who has experience of the work of the panel.

A member of the IRP may not re-apply after having served two consecutive terms subject to this restriction being lifted to allow a third term in the event of there being no other suitable candidate.

The Monitoring Officer (or Deputy Monitoring Officer) may terminate the membership of any panel member at any time should the reputation of the Panel or the Council be brought into disrepute subject to consultation with the Independent Chair of the Standards and Audit Committee.

Functions

To produce reports in relation to allowances payable to Members of the Council, making recommendations to the Council as to:

- (a) the amount of the basic allowance;
- (b) the roles for which a special responsibility allowance will be payable and the amount of such allowances;
- (c) any dependent carer allowances;
- (d) travelling and subsistence allowances;

- (e) co-optee allowances;
 - (f) pensions for members.
- 2.** To review the current Members' Allowances Scheme and to make written recommendations to the Council for a new Scheme or revision to the existing Scheme as considered necessary and appropriate, taking appropriate evidence/representations in order to take into account the following:
- (a) The need for the Council to pay a basic allowance and the discretion to pay special responsibility allowances.
 - (b) The various roles and responsibilities of elected Members and the commitment of time and other resources involved.
 - (c) The differences between the level of responsibility and time commitment of different Members' roles.
 - (d) Schemes operating elsewhere in similar Local Authorities,
 - (e) The levels of remuneration paid for other types of public duties.
 - (f) The need to attract and retain elected Members of the highest calibre who are representative of the local population, particularly in terms of race, age and gender.
- 3.** To provide informal advice on expenses, gratuities and allowances not referred to in these Terms of Reference.
- 4.** To deal with other issues which may from time to time fall within the remit of the Panel through legislation.

For publication

Audit Report on the 2018/19 Statement of Accounts

Meeting: Standards & Audit Committee

Date: 17th July 2019

Report by: Acting Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To approve the Statement of Accounts for 2018/19.

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

1.3 To approve the 'Letter of Representation'.

2.0 Background

2.1 The Accounts and Audit Regulations require that:

- No later than 31st May 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 31st July 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 2018/19 on the 21st May. The Cabinet report provides more of a commentary on the outturn, variances from budgets, level of reserves, etc.
- 2.3 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 2**). 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.
- 2.4 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'.

3.0 **Audited Statement of Accounts 2018/19**

- 3.1 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2018/19.
- 3.2 The Statement of Accounts 2018/19 has been audited by the Council's External Auditors, Mazars.
- 3.3 Some minor changes have been made to the Statement of Accounts in order to address issues identified during the audit. However, the overall financial position remains the same as that reported to Cabinet on 21st May 2019.

4.0 **Report to Those Charged With Governance**

4.1 The Auditor's report is included as **Annexe 2**. The Auditor will present the report and answer any questions.

5.0 **Management Letter of Representation**

5.1 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.

5.2 A copy of the letter is included as **Annexe 3** and provides representations in respect of fraud, compliance with laws and regulations, contingent liabilities, related party disclosures, and post balance sheet events.

6.0 **Recommendations**

6.1 That the Committee approves the Statement of Accounts for 2018/19.

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

6.3 That the Committee approves the Management Letter of Representation.

7.0 **Reason for Recommendations**

7.1 To comply with statutory requirements

Decision information

Key decision number	N/A
Wards affected	All

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 2018/19
Annexe 2	Final ISA 260 report 2018/19
Annexe 3	Management letter of representation 2018/19



CHESTERFIELD
BOROUGH COUNCIL



Statement of Accounts
2018/19
(Subject to Audit)

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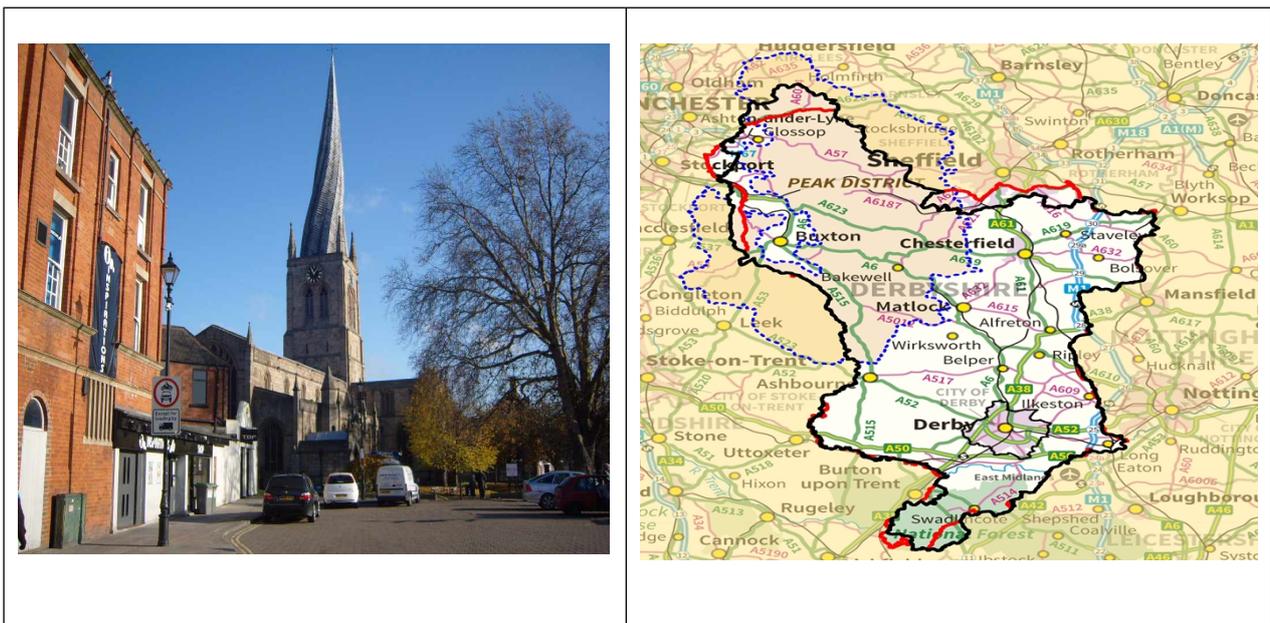
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NARRATIVE REPORT

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 50,000 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 2017 reported that Chesterfield's estimated population was 104,579.

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:

- Over 50,000 people work in the Borough with high levels of employment in the public sector (36%), retail and wholesale (20%), and above average levels of employment in manufacturing (10%). Over the last 10 years local employment has increased by 4%, although this is below the growth rate seen at the national scale of 12%.

- 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 3.7m visitors in 2017 with an economic impact of £175m, supporting over 2,150 jobs.
- In 2018 there were 3,270 businesses based in Chesterfield. Over the five year period (2013-2018), the stock of businesses increased by 16%, behind the increase seen both regionally (23%) and nationally (23%), but a relatively strong performance when compared to Chesterfield's lower rate of employment growth.
- Unemployment currently stands at 3.1% (March 2019) and has fallen significantly since peaking at over 9% in the mid-1990s. However, since reaching a low point of 1.6% at the end of 2015, the unemployment rate has been climbing gradually since that time to now stand at 3.1%. Having broadly achieved parity with the national rate, local unemployment has increased ahead of the national average over the last 12 months.
- 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 2018/19 – the Council's policies are determined by its Politicians and implemented by the Corporate Management Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 7 May 2015 the Labour Party remained in control. The 2018/19 political structure is as follows:

	No. Councillors
Labour Party	36
Liberal Democrat Party	9
Independent	3
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 review 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 is supported by the Senior Leadership Team, consisting of two Executive Directors and the Director of Finance and Resources. The Senior Team is in turn supported by six Assistant Directors, which together form the Corporate Management Team.

Employees – the Council employed 691 full time equivalent staff as at the end of March 2019. 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 2018/19 Progress

Of the 33 key activities for delivery during 2018/19, 27 have been completed by year end (82%). There has been significant progress on the remaining activities and the majority have been carried over to be completed in 2019/20.

Key outputs and outcomes for 2018/19 include:

- Continuing to secure 100% local labour clauses on all eligible developments and working with 11 companies to develop skills and recruitment plans which maximise job opportunities for local people
- Delivered an increased range of town centre events in partnership with retailers and market traders to boost footfall and spend, helping to maintain our 92% town centre shop occupancy rate
- Work on the new multi storey car park is progressing well and it is anticipated to complete by the end of May 2019. This will be important in supporting the progress seen at the former Co-op department store on Elder Way, with the Premier Inn hotel opening in April 2019 and the restaurant, bar and gym space to be completed in June 2019
- The Chesterfield Health & Wellbeing Partnership has co-ordinated a wide range of activities to reduce inactivity and related ill health. This included structured intervention programmes in some of our most deprived areas including Rother, Barrow Hill and Poolsbrook
- Budgetary discipline continues to be a major priority for all services and we have been able to achieve a small surplus for 2018/19. This work continues by challenging budget holders, vacancy control, maximising core income streams, careful investment, exploration of external grant funding and focusing on operational efficiency savings

- We are working in partnership with public sector colleagues across Derbyshire on the One Public Estate programme. All Chesterfield Borough Council land, buildings and asset information have been uploaded to the central project database which will provide an easier and more effective way to identify potential asset duplication and opportunities. We are leading on a depot review for the North East of the county and have secured feasibility study funding for the project. The study will complete in July 2019 leading to recommendations with a view to asset rationalisation and efficiencies which can then be considered by partner agencies
- As part of our Town Hall improvement programme we have increased the number of public and private sector organisations co-locating at the Town Hall and welcomed the opening of the Register Office during 2018/19
- More of our customers are using the internet to find out information or access council services. 355,920 customers used our website to access services in 2018/19 and over the same period, 78% of residents made payments using our online or automated processes.

New Council Plan 2019 – 2023

A new four year Council Plan has been developed for 2019 to 2023.

The Council Plan 2019 – 2023 provides continuity with the 2015 – 2019 plan, maintaining the same vision, three overarching priorities and values. Whilst the overall framework of the plan is maintained from the previous version, the objectives set out within each priority have been revised and updated. For each objective, a series of commitments for 2023 have been developed alongside some key facts and figures relating to current performance.

To ensure that we stay on track for delivering on the 2023 commitments we have developed a year 1 (2019/20) delivery plan. This document sets out the key milestones, inputs, outputs and measures we will need to deliver during the first year of the plan.

Performance Management Framework

A new performance management framework has been developed alongside the new Council Plan to support and demonstrate plan delivery. This includes regular challenge at the Finance and Performance Board and via Overview & Scrutiny.

FINANCIAL PERFORMANCE 2018/19

Budget Process

Before the start of the 2018/19 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 represent

56% of the General Fund Budget requirement with the remaining 44% 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 2018/19 the Council's finances were subject to:

- Pilot authority for 100% Business Rates retention – provided an opportunity to keep a greater share of business rate income within the Council area.
- 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 3% or more. The Council approved a £5 increase in Council Tax for 2018/19 at £159.89 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 and budgetary control.

The 2018/19 Council Budget was set at £10.3m and financed as follows:

	Amount £'000	Proportion of total
Government Funding (Revenue Support Grant, retained business rates and other grants)	5,749	56%
Council Tax	4,600	44%
Total Budget (after savings target)	10,349	100%

The budget for 2018/19 which was set in February 2018 showed a surplus of £6k before allowing for the planned savings target. A savings target of £50k was set giving a forecast surplus of £56k. The savings were to be delivered through greater income across council services, commercialisation, asset rationalisation, costs control, investment, procurement and strict financial controls. The Council has made good progress across these areas in delivering savings in 2018/19 to achieve a surplus of £395k at the end of the year.

Revenue Budget Outturn

The position at the end of the year was a General Fund surplus of £395k which was transferred to reserves. The main reasons for the increased surplus compared to £56k surplus budget for 2018/19 included:

- Growth in business rate income (+£496k);
- Increased surplus from commercial operations (+£93k);
- Waste collection efficiencies (+£174k);
- Housing Benefits (+£97k);
- Net of all other variances (+£152k).
- Less:
- Reduced rental income from town centre properties (-£233k);
- ICT Digital Innovation (-£326k);
- Operation of Leisure services (-£114k).

Set out below is a summary of the outturn for 2018/19 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

2018/19 General Fund - Comparison of outturn with the original budget

	Original Budget £000	Actual £000	Variance £000
<u>Portfolios:</u>			
Leader of the Council	56	48	(8)
Deputy Leader of the Council	1,224	1,199	(25)
Cabinet Member for Economic Growth	164	543	379
Cabinet Member for Town Centre & Visitor Economy	(375)	377	752
Cabinet Member for Health and Wellbeing	7,692	6,945	(747)
Cabinet Member for Homes & Customers	1,920	2,081	161
Cabinet Member for Governance	2,761	2,590	(171)
Cabinet Member for Business Transformation	507	357	(150)
Portfolio Net Expenditure	13,949	14,140	191
Transformation Savings	(50)	-	50
Direct Service Organisations (surplus)/deficit	(815)	(851)	(36)
Other - Non-Portfolio Expenditure/(Income)	(300)	(304)	(4)
Service Expenditure	12,784	12,985	201
Interest & Capital Charges	(2,389)	(2,309)	80
Transfer to/(from) Reserves	(102)	(148)	(46)
Surplus/(Deficit) to/(from) Budget Risk Reserve	56	395	339
Total Expenditure	10,349	10,923	574

The General Fund Working Balance was maintained at £1.5m during 2018/19.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 23 and 25 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 9,089 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 2018/19 is set out on pages 98 to 104 and shows an increase to the HRA balance of £1,819,531 due mainly to delayed starts on major schemes in the capital programme financed from revenue. These included new build housing, modernisation and improvement of the housing stock 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 2018/19 which generated a combined surplus of £851,243.

Capital Spending in 2018/19

A summary of the capital expenditure and financing is shown in Note 25 to the core financial statements.

Capital expenditure on General Fund services totalled £8.0m. The main projects included:

- ◆ Waterside development - £0.2m
- ◆ Peak Resort infrastructure - £0.1m
- ◆ Town Hall alterations - £1.1m
- ◆ Parks/Play area upgrades - £0.3m
- ◆ Northern Gateway development - £3.8m
- ◆ Winding Wheel improvements - £0.7m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £0.9m
- ◆ Innovation Centre Information Technology upgrade - £0.3m
- ◆ Vehicles & Plant - £0.3m
- ◆ Flood Resilience - £0.1m
- ◆ Other - £0.2m

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £5.3m in 2018/19. The remainder was financed from capital receipts from planned asset sales (£1.8m) and reserves (£0.9m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £17.7m of which £10.9m was financed from the Major Repairs Reserve, £3.5m from capital receipts and £3.3m from revenue balances.

Our housing stock continues to see a good number of 'Right to Buys' and these receipts are reinvested in line with government policy.

Total long-term debt outstanding at the end of the year amounted to £127.3m. This should be viewed in relation to the Council's assets which have a net book value of £472m.

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

Pension Costs

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£80.4m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities. Changes in pension scheme valuations and the scheme assumptions can have a material effect on the reserve. A triennial revaluation of the Derbyshire County Council Local Government pension scheme was conducted in 2016/17. Note 17 provides more information 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.

Treasury Management

The Council borrows principally from the Public Works Loan Board (PWLB). External advisors are engaged to provide advice on treasury management policy. Short term investments at the end of the year were £27.6m.

Impairment provisions have fallen in the year by £2.6m contributing to a higher short term debtors balance of £10.4m

Reserves & Balances

The Council reserves are set out in Note 11. The level of reserves and annual contributions to those reserves were reviewed during 2018/19.

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

- £1.2m as a provision for significant revenue budget risks
- £0.3m in a Service Improvement Reserve
- £0.7m in a Digital Innovation Reserve and
- £0.7m in a service redesign 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 2020/21. The balance on this reserve is £2.1m. The Council uses external advisors to assess the appeals provision annually. Risks around larger businesses and potential business rate appeals are monitored quarterly.

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 £29.2m 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 changes in the Government's Housing Policies e.g. the 1% rent reduction each year for four years from 2016/17. The Council has a policy of maintaining a minimum £3m HRA working balance.

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 4 year settlement reduces Revenue Support Grant from £859k in 2018/19, £434k in 2019/20 to £0 by 2020/21.

New Homes Bonus (NHB) funding continues to decline as a result of Government policy changes and the Council had to prudently assume income from NHB declines from £462k in 2018/19 to only £17k by 2020/21 due to low house building completion forecasts in Chesterfield.

Other principal sources of income, such as Business Rates and Council Tax are projected to increase marginally over the next 4 years.

The Derbyshire Business Rates Pool became a 100% Business Rate Pilot for 2018/19 only. This means that the government share of business rate funding is retained within the pilot area. Chesterfield has benefited from some of this additional growth but this is limited to 2018/19 only. The impact of the government's proposals for 75% Business Rate retention and the Fair Funding review have been discounted in our financial projections until policy becomes clearer.

The HRA outturn for 2018/19 was a £1.8m increase in its working balance. The HRA account has a sustainable plan with forecast balanced (surplus) budgets in all years in the short to medium term. A 2017 stock condition survey showed that Chesterfield homes met the decent homes standard and capital investment needs were lower in some areas than previously thought. The Council had also made a number of operational changes to reduce and rephase its capital programme, reduce the responsive repairs budget, change 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 has regeneration and house building plans developed to continue to spend HRA capital and revenue funds.

The Council's Medium Term Financial Plan General Fund 'budget' forecast produced in February 2019 shows a budget deficit of £202k in 2019/20 (before savings) but then continuing pressures leading to a forecast £1.1m deficit peaking in 2021/22.

In order to deliver the required savings to meet the budget challenges, the Council has identified further budget savings areas (procurement, service redesign, voluntary redundancy and property rationalisation) over the next two to three years and will be reviewing a number of larger service contracts and spending areas for further savings.

The Council will invest significantly in IT across the next eight years. This will enable more agile working, robust IT infrastructure, 'Cloud' computing and efficiency and economy savings.

In addition budgets are being tightly managed to control and reduce spend. The Council is also investing in capital assets and services to generate future income streams, developing its income from existing assets 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;
- c) Changes to the regional and national economy impacting on our trading income; and
- d) The impact of the Fair Funding review and the 2019 Autumn Spending review.

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

The continuing uncertainty regarding the date of when the UK will leave the European Union is a further pressure. The impact that this may have on investment returns, pension reserves and the economy as a whole is difficult to predict at present and the situation will be kept under review.

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 security, procurement, health and safety, safeguarding, etc.) and organisational issues (workforce development, information technology and PSN and regional partnership working).

Summary

In 2018/19 the Council made good progress in addressing the financial challenges it faced and in meeting its Council Plan targets.

The General Fund revenue outturn with a £395k surplus was £233k above the revised forecast for the year. The HRA ended the year with a £1.8m increase in its working balance. The current capital programme was resourced in the short term with only the planned level of borrowing required. An adequate level of reserves has been maintained which will help to provide financial resilience for 2019/20 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 recent 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. 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 Assistant Director Policy and Communications.

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.

**H FOX CPFA
CHIEF FINANCE OFFICER**

**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 2018/19 and comprise:

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.

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.

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 2019.

**H FOX CPFA
CHIEF FINANCE OFFICER**

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 2019 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:-

The Council's vision is "Putting our communities first". 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 performance 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 comments, complaints and compliments procedure, a Customer Services Charter, an Anti- Fraud, Bribery and Corruption policy and a Confidential Reporting (whistle blowing) Code.

In order to ensure compliance with relevant laws and regulations, internal policies and procedures, Chesterfield Borough Council has a comprehensive induction package 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. In 2017 the Council introduced an online learning tool that records all training and includes a comprehensive bank of training modules. Policies are readily available on the intranet to view.

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.

An ICT review has been completed and an improvement programme developed that sets the strategic direction for ICT and digital service redesign. Councillors have approved a £9.7 million nine year programme of ICT improvements. The programme is transformational and will significantly strengthen the Council's ICT service provision, resilience and information security.

The ICT and Human Resources (HR) services have transferred to in house delivery and this is to assist with the delivery of the ICT improvement and digital innovation programme.

The GDPR action plan has been implemented, ensuring the Council is able to comply with new regulations. An information assurance risk register is in place which details outstanding information assurance risks and the mitigating actions which are being undertaken by the council to reduce / remove risks

In June 2017, Building Control left the Council to become part of a limited company (The Derbyshire Building Control Partnership). There are a series of legal agreements that support the new company including a shareholder agreement and a service level agreement. A separate Board has been set up to govern the new company.

The Council is also increasing its income from commercial work. Any profit earned on the work is returned to the General Fund.

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 Financial 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 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 an internal and external Communication and Engagement Strategy, the Council's website, the publication of "Your Chesterfield" four times a year which includes "Our Homes" for tenants and leaseholders 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 the Corporate Management Team 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.
- The Standards and Audit Committee have undertaken a self- assessment against CIPFA standards and were found to be compliant.

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

- Official opening of Brocklehurst Court following £1million of refurbishment work. The old bedsits and one bedroomed flats have been converted to provide a mix of one and two bedroomed flats which have new kitchens and bathrooms, heating

systems, windows and doors. A similar refurbishment project is now taking place at the Glebe in Old Whittington and at Catherine Court, Brampton.

- The Council was awarded the Investors in People Silver Award
- The Council has achieved the ICT outcomes which were set for delivery in 2018, namely improving theatre box office service levels, increasing skills and knowledge within ICT, increasing infrastructure resilience, achieving Cyber Essentials + and delivering the 1st end to end digital processes.
- The Winding Wheel has had a refurbishment that has seen a café bar area including a ticket collection point, created in the new foyer, new toilets installed and the auditorium and ballroom redecorated.
- The Town Hall refurbishment has progressed to provide opportunities for generating income from other public sector bodies who are interested in utilising space within the building. The Register Office has now taken up occupation on the ground floor of the Town Hall and began delivering services to the public from November.
- Work is well underway to build the replacement 530 space Saltergate car park. The new car park should be ready to open in spring 2019.
- Work has been progressing on the former CO-OP store on Elderway with the new hotel set to open in April 2019.
- 32 key activities were identified for priority delivery during 2018/19 and the vast majority of these have been successfully delivered or strong progress made.

Internal Audit Opinion 2018/19

The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2018/19.

Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.

Overall, 19/24 (79%) of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.

There were 5 Limited Assurance reports issued during the year (Careline, OSD Property Safety Inspections, Outdoor Facilities, Laptops and other Removable Media, Sickness Absence Management), where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and have either implemented them or are actively working towards implementing them.

Previous areas of weakness identified such as Health and Safety, ICT and Procurement are being addressed through longer term improvement plans and programmes.

A Review of 2017/18 Governance Issues

A mid-year review of progress against the 2017/18 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. The action plan identified 9 areas for improvement. Positive progress has been made in every area. Where further action / monitoring is required these areas have been carried forward to the 2018/19 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 some 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.	<p>Budget – many budget risks have been identified:-</p> <ul style="list-style-type: none"> • Business rate pooling • Business rate appeals, valuation changes • New homes bonus allocations • ICT savings not being delivered • The outcome of the Governments Fair Funding and changes to business rate funding from 201/21 is still not clear • Wage and staffing cost pressures • Escalating energy prices and general cost inflation • Achieving income targets for rents, fees, charges and interest • Delivering required budget savings • Outcome of Brexit • Introduction of Universal Credit <p>The Council is forecast to balance the General Fund for 2018/19 with a £161k surplus. The Medium Term Financial Plan (5yr) from 2019/20 shows a £202k deficit rising to £1.3m by 2023/24. There is a requirement for £1m in IT transformation savings by 2023/24 otherwise the deficit will be £2.3m. The HRA has projected to have a £21m balance at the end of 2018/19.</p>	<p>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's corporate plan.</p> <p>This will be achieved through the established mechanisms for financial planning and reporting:</p> <ul style="list-style-type: none"> • Finance and Performance Board • Corporate Cabinet and Corporate Management Team workshops • Monthly budget monitoring reports to service managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Quarterly Assistant Director meetings with finance on budgets • Regular dialogue with the trade unions <p>Further savings and income generation plans are ongoing.</p>

	Then the MTFP shows a closing balance of circa £7m per annum for the next 3 years.	
2	Non Housing Property Repairs – detailed condition surveys have been undertaken for 11 major assets and have been reviewed by Kier. A second tranche of 8 Council assets is currently being reviewed. Only large assets owned by the Council are being assessed. The risk to the Council is that a large number of assets will require substantial future property repairs spend which may not be budgeted for.	As the costs become clearer decisions will be required to rationalise poor quality assets, increase contribution to the property repairs fund or to borrow for major capital repairs.
3	Workforce Capacity and Capability – ongoing budget challenges and service demands mean that the Council will need to continue to manage workforce capacity and capability. In 2018/19 both Executive Directors and the Assistant Director of Housing have left the Council leaving a capacity issue at SLT/CMT level.	The vacancies at SLT / CMT level have been advertised. SLT and CMT will review the impact of new workloads and projects to determine priorities and direct resources. Vacancy control processes are in place, allowing the Council to review and determine whether vacancies should be filled. Individual performance, capacity and capability will continue to be closely monitored through the half yearly performance reviews and training and development plans are in place to address capability gaps. A ‘people’ plan, which is aligned to the workforce strategy is being developed and will be implemented in 2019/20.

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 2018/19 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:

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 £000	Housing Revenue Account £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 2017	10,014	25,320	3,474	-	1,124	39,932	264,829	304,761
Movement in reserves during 2017/18								
Total Comprehensive Income & Expenditure	(1,946)	1,471	-	-	-	(475)	8,674	8,199
Adjustments between accounting basis & funding basis under regulations (note 10)	4,361	905	1,229	-	5,488	11,983	(11,983)	-
Net Increase / (Decrease) in 2017/18	2,415	2,376	1,229	-	5,488	11,508	(3,309)	8,199
Balance at 31st March 2018 carried forward (notes 11, 40 & 41)	12,429	27,696	4,703	-	6,612	51,440	261,520	312,960
Movement in reserves during 2018/19								
Total Comprehensive Income & Expenditure	(1,143)	4,094	-	-	-	2,951	(10,187)	(7,236)
Adjustments between accounting basis & funding basis under regulations (note 10)	1,640	(2,413)	553	-	(3,395)	(3,615)	3,615	-
Net Increase / (Decrease) in 2018/19	497	1,681	553	-	(3,395)	(664)	(6,572)	(7,236)
Balance at 31st March 2019 carried forward (notes 11, 40 & 41)	12,926	29,377	5,256	-	3,217	50,776	254,948	305,724

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

2017/18				2018/19		
Expenditure (Restated) £000	Income (Restated) £000	Net Expenditure (Restated) £000	Portfolio	Expenditure £000	Income £000	Net Expenditure £000
197	(16)	181	Leader of the Council	225	(44)	181
3,487	(704)	2,783	Deputy Leader of the Council	2,724	(251)	2,473
5,598	(4,482)	1,116	Cabinet Member for Economic Growth	4,278	(2,961)	1,317
8,301	(7,841)	460	Cabinet Member for Town Centre and Visitor Economy	9,145	(7,691)	1,454
14,219	(8,341)	5,878	Cabinet Member for Health and Well Being	14,845	(8,737)	6,108
37,563	(35,983)	1,580	Cabinet Member for Homes and Customers	33,759	(31,876)	1,883
2,613	(557)	2,056	Cabinet Member for Governance	2,672	(633)	2,039
3,021	(1,203)	1,818	Cabinet Member for Business Transformation	3,738	(1,728)	2,010
74,999	(59,127)	15,872	COST OF GENERAL FUND SERVICES	71,385	(53,921)	17,465
27,842	(36,643)	(8,801)	Local Authority Housing (HRA)	25,453	(36,206)	(10,753)
102,841	(95,770)	7,071	COST OF SERVICES	96,838	(90,127)	6,712
2,957	-	2,957	Other operating expenditure (Note 12)	2,909	-	2,909
12,396	(5,389)	7,007	Financing and investment income & expenditure (Note 13)	5,533	(5,489)	44
-	(16,560)	(16,560)	Taxation and non-specific grant income (Note 14)	-	(12,616)	(12,616)
		475	(Surplus)/Deficit on Provision of Services			(2,951)
		(2,650)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			(4,236)
		-	(Surplus)/deficit on revaluation of available for sale financial assets			-
		(6,024)	Actuarial (gains)/losses on pension liabilities			14,423
		(8,674)	Other Comprehensive Income & Expenditure			10,187
		(8,199)	Total Comprehensive Income & Expenditure			7,236

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 2019

2017/18		2018/19	Notes
£000		£000	
340,472	Council Dwellings	341,235)
68,856	Other Land & Buildings	67,917)
487	Vehicles, Plant, Furniture & Equipment	673)21,22,
2,674	Infrastructure Assets	2,434)24,25,
4,072	Community Assets	4,072)27
3,468	Assets Under Construction	11,489)
1,828	Surplus Assets Not Held for Sale	895)
421,857	Property, Plant & Equipment	428,715	
2,902	Heritage Assets	2,902	23
46,182	Investment Properties	40,147	26
356	Intangible Assets	229	
458	Long Term Debtors	499	
471,755	Long Term Assets	472,492	
-	Assets Held for Sale - Investment Properties	7,791	33
21,526	Short Term Investments	27,578	
192	Inventories	207	
4,551	Short Term Debtors	10,416	31
26,943	Cash & Cash Equivalents	20,484	32
53,212	Current Assets	66,476	
(2,225)	Short Term Borrowing	(1,999)	
(14,035)	Short Term Creditors	(17,779)	34
(689)	Short Term Provisions	(1,483)	35
(821)	Cash Overdrawn	(498)	32
(17,770)	Current Liabilities	(21,759)	
(129,336)	Long Term Borrowing	(127,341)	
(2,816)	Long Term Provisions	(3,393)	35
(61,763)	Net Pension Scheme Liabilities	(80,422)	17 & 44
(186)	Other Long Term Liabilities	(176)	
(136)	Capital Grants Receipts in Advance	(153)	19
(194,237)	Long Term Liabilities	(211,485)	
312,960	Net Assets	305,724	
51,440	Usable Reserves	50,776	11,40
261,520	Unusable Reserves	254,948	41-47
312,960	Total Reserves	305,724	

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

2017/18 £000		2018/19 £000
474	Net (surplus)/deficit on provision of services	(2,950)
(33,106)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 48)	(21,679)
15,110	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 49)	9,376
(17,522)	Net cash flows from Operating Activities (Note 50)	(15,253)
877	Investing Activities (Note 51)	19,303
7,131	Financing Activities (Note 52)	2,087
(9,514)	Net increase/decrease in cash and cash equivalents	6,137
(16,608)	Cash and cash equivalents at beginning of reporting period	(26,122)
(26,122)	Cash and cash equivalents at end of reporting period (Note 32)	(19,985)

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 2018/19 financial year and its position at the year end 31st March 2019.

The Accounts and Audit Regulations 2015 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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. 2018/19 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, 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 absence occurs, but then reversed out through the Movement in Reserves Statement.

Termination Benefits

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income & Expenditure Statement to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement
- 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 REVENUE RECOGNITION

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients. It is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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 is 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.

1.20 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 relevant line in the Comprehensive Income & Expenditure Statement and credits are made on a straight-line basis over the life of the lease.

1.21 **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 & 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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair Value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority may also make loans to the voluntary sector at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present

value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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.

Expected Credit Loss Model – the authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

1.22 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 2018/19.

1.23 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 54 provides further details.

1.24 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.

1.25 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.

1.26 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.

1.27 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 principals, collecting 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.

Where debtor balances are identified as impaired because there is a likelihood arising from a past event that payments due will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cashflows.

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

The Code of Practice on Local Authority Accounting for 2019/20 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 2019/20 Code are:

IAS 40 Investment Property: Transfers of Investment Property – provides further explanation of the conditions for which a property can be reclassified as an investment property. This will have no impact as the Council already complies.

IFRIC 22 Foreign Currency Transactions & Advance Consideration – clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering goods and services. This Council does not have any material transactions in foreign currency revenue streams and does not expect to be affected by this new standard.

IFRIC 23 Uncertainty over Income Tax treatments – provides guidance on income tax treatment where there is uncertainty. The Council does not expect to be affected by this new standard.

IFRS 9 Financial Instruments: Prepayment features with negative compensation – this amends IFRS 9 to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council does not have any loans to which this amendment will apply.

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.
- An underground fire beneath recently built houses has been classed as a non-adjusting post balance sheet event as the originating event took place after 31st March 2019. No impairment has been realised in the balance sheet as we are unsure of the extent of the problem or where liability for this event lies.

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 2019, 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 2018/19, the actuaries advised that the net pensions liability had increased by £24k because of estimates being corrected as a result of experience and increased by £14.351m attributable to updating their assumptions.
Arrears	At 31 st March 2019, the Authority had a balance of sundry debtors of £3.8m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.3m 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 £38k 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 £1.15m for every year that useful lives had to be reduced.
Fair value measurement	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	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>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 22, 26 and 38.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.</p>
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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 £17.7m in 2018/19. 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.

6. EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts was authorised for issue on 24/05/2019 by the Chief Finance Officer, Helen Fox CPFA. This is also the date up to which events after 31st March 2019 have been considered.

7. 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

2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances (Restated) (£000's)	2017/18 Adjustment between Funding and Accounting Basis (£000's)	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated) (£000's)	Portfolio	2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances (£000's)	2018/19 Adjustment between Funding and Accounting Basis (£000's)	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement (£000's)
168	13	181	Leader of the Council	168	13	181
3,714	(931)	2,783	Deputy Leader of the Council	3,337	(864)	2,473
6,601	(5,485)	1,116	Cabinet Member for Economic Growth	6,515	(5,198)	1,317
(3,883)	4,343	460	Cabinet Member for Town Centre and Visitor Economy	(2,588)	4,042	1,454
4,039	1,839	5,878	Cabinet Member for Health and Well Being	4,499	1,609	6,108
864	716	1,580	Cabinet Member for Homes and Customers	766	1,117	1,883
1,861	195	2,056	Cabinet Member for Governance	1,858	181	2,039
(514)	2,332	1,818	Cabinet Member for Business Transformation	(375)	2,385	2,010
(9,707)	906	(8,801)	Housing Revenue Account (HRA)	(8,339)	(2,414)	(10,753)
3,143	3,928	7,071	Net Cost of Service	5,841	871	6,712
(7,934)	1,338	(6,596)	Other Income and Expenditure	(8,019)	(1,644)	(9,663)
(4,791)	5,266	475	(Surplus)/Deficit	(2,178)	(773)	(2,951)
(35,334)			Opening General Fund and HRA Balance	(40,125)		
(4,791)			Movement	(2,178)		
(40,125)			Closing General Fund and HRA Balance	(42,303)		
(10,014)			Opening General Fund Balance	(12,429)		
(2,415)			Movement	(497)		
(12,429)			Closing General Fund Balance	(12,926)		
(25,320)			Opening HRA Balance	(27,696)		
(2,376)			Movement	(1,681)		
(27,696)			Closing HRA Balance	(29,377)		

7A. 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 2018/19				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Leader of the Council	-	13	-	13
Deputy Leader of the Council	-	(867)	3	(864)
Economic Growth	(5,244)	115	(69)	(5,198)
Town Centre & Visitor Economy	3,816	226	-	4,042
Health & Wellbeing	638	970	1	1,609
Homes & Customers	65	1,052	-	1,117
Governance	9	172	-	181
Business Transformation	284	2,103	(2)	2,385
Housing Revenue Account	(885)	453	(1,982)	(2,414)
Net Cost of Services	(1,317)	4,237	(2,049)	871
Other income & expenditure from Expenditure & Funding Analysis	(531)	-	(1,113)	(1,644)
Difference between General Fund deficit & CIES deficit on Provision of Services	(1,848)	4,237	(3,162)	(773)

Adjustments between Funding and Accounting Basis 2017/18				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Leader of the Council	-	13	-	13
Deputy Leader of the Council	-	(931)	-	(931)
Economic Growth	(5,362)	110	(233)	(5,485)
Town Centre & Visitor Economy	4,099	244	-	4,343
Health & Wellbeing	923	916	-	1,839
Homes & Customers	(262)	1,020	(42)	716
Governance	9	186	-	195
Business Transformation	297	2,035	-	2,332
Housing Revenue Account	2,425	453	(1,972)	906
Net Cost of Services	2,129	4,046	(2,247)	3,928
Other income & expenditure from Expenditure & Funding Analysis	410	-	928	1,338
Difference between General Fund deficit & CIES deficit on Provision of Services	2,539	4,046	(1,319)	5,266

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	
	2018/19 £000	2017/18 £000
Leader of the Council	-	-
Deputy Leader of the Council	(4)	(19)
Economic Growth	(3,473)	(3,480)
Town Centre & Visitor Economy	(8,821)	(8,792)
Health & Wellbeing	(6,473)	(6,168)
Homes & Customer	(31,158)	(35,319)
Governance	(273)	(199)
Business Transformation	(227)	(169)
Housing Revenue Account	(38,672)	(39,262)
Total Income analysed on a segmental basis	(89,101)	(93,408)

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2018/19 £000	2017/18 £000
Expenditure		
Employee expenses	18,171	16,579
Other service expenses	64,421	66,304
Support service recharges	12,513	11,718
Depreciation, amortisation and impairment	11,576	23,896
Transfers to/from reserves	(11)	46
Interest payments	6,855	6,856
Precepts	434	418
Payments to Housing Capital Receipts Pool	925	925
Gain/Loss on Disposal of Fixed Assets	1,517	1,575
Total Expenditure	116,401	128,317
Income		
Fees, Charges & Other Service Income	(55,755)	(56,106)
Government Grants	(35,737)	(47,392)
Recharges & Other Income	(17,505)	(16,469)
Interest & Investment Income	(428)	(237)
Income from Business Rates	(4,798)	(2,769)
Income from Council Tax	(5,129)	(4,869)
Total Income	(119,352)	(127,842)
(Surplus)/Deficit on Provision of Services	(2,951)	475

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.

	Usable Reserves					
2018/19	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<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	2,729	11,346				(14,075)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,550	7,215				(8,765)
Movement in market value of Investment Properties	(2,775)	(67)				2,842
Amortisation of intangible assets	126					(126)
Capital grants & contributions applied	(1,875)				(3,464)	5,339
Revenue expenditure funded from capital under statute	1,363					(1,363)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(240)					240
Capital expenditure charged against General Fund and HRA balances	(874)	(3,324)				4,198
Voluntary Repayment of Debt		(1,985)				1,985
Community Infrastructure Levy (CIL) Receipts	(174)				174	-
Transfers between Other Reserves	108		5		(105)	(8)
<u>Adjustments primarily involving Capital Receipts Reserve:</u>						
Use of Capital Receipts Reserve to finance new capital expenditure			(5,308)			5,308
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	925		(925)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(2,132)	(5,162)	6,781			513
<u>Adjustment primarily involving Major Repairs Reserve:</u>						
HRA depreciation & impairment		(9,133)		9,133		-
Excess of Major Repairs Allowance Over HRA depreciation		(1,760)		1,760		-
Use of Major Repairs Reserve to finance new capital expenditure				(10,893)		10,893
<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	8,624	453				(9,077)

Comprehensive Income & Expenditure Statement						
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,842)					4,842
<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	(865)					865
<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		4				(4)
<u>Total Adjustments</u>	1,640	(2,413)	553	0	(3,395)	3,615

2017/18	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	2,141	10,327				(12,468)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	112	7,354				(7,466)
Movement in market value of Investment Properties	3,391	848				(4,239)
Amortisation of intangible assets	129					(129)
Capital grants & contributions applied	(8,909)				5,256	3,653
Revenue expenditure funded from capital under statute	2,951					(2,951)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(232)					232
Capital expenditure charged against General Fund and HRA balances	(393)					393
Voluntary Repayment of Debt		(2,015)				2,015
Community Infrastructure Levy (CIL) Receipts	(234)				234	-
Transfers between Other Reserves	(42)	42	5		(2)	(3)
<u>Adjustments primarily involving Capital Receipts Reserve:</u>						

Use of Capital Receipts Reserve to finance new capital expenditure			(3,819)			3,819
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	925		(925)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(235)	(5,733)	5,968			-
<u>Adjustment primarily involving Major Repairs Reserve:</u>						
HRA depreciation & impairment		(9,196)		9,196		-
Excess of Major Repairs Allowance Over HRA depreciation		(1,176)		1,176		-
Use of Major Repairs Reserve to finance new capital expenditure				(10,372)		10,372
<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	(6)					6
<u>Adjustments primarily involving Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	8,411	453				(8,864)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,817)					4,817
<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	1,167					(1,167)
<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	2	1				(3)
Total Adjustments	4,361	905	1229	0	5,488	(11,983)

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 1/4/2017 £000	Transfers In 2017/18 £000	Transfers Out 2017/18 £000	Balance 31/3/2018 £000	Transfers In 2018/19 £000	Transfers Out 2018/19 £000	Balance 31/3/2019 £000
General Fund							
Vehicles & Plant	907	461	(526)	842	463	(608)	697
Information Technology	376	237	(546)	67	321	(170)	218
Crematorium							
Mercury Abatement	280	59	-	339	62	-	401
Capital Improvements	167	49	(53)	163	49	(5)	207
Capital Reserves	1,730	806	(1,125)	1,411	895	(783)	1,523
General Fund							
Invest to Save	252	-	(221)	31	-	(31)	-
Budget Risk Reserve	446	346	(109)	683	720	(163)	1,240
Service Improvement	614	34	(309)	339	34	(58)	315
Property Improvement	553	1,069	(1,268)	354	1,179	(1,308)	225
Insurance	597	-	-	597	-	-	597
Tenants Property	414	358	(192)	580	398	(301)	677
Tapton Innovation Centre	155	25	(90)	90	26	-	116
DSO/DLO Reserve	405	172	-	577	-	(11)	566
Planning Inquiry	240	-	(4)	236	-	(49)	187
Flood Restoration	74	-	(20)	54	-	-	54
Asset Management	16	-	(16)	-	-	-	-
Elections Equipment	2	-	-	2	-	-	2
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	7	-	-	7	-	-	7
Risk Management Fund	4	7	(6)	5	5	(5)	5
S106	273	-	(19)	254	25	(21)	258
Revenue Grants Unapplied	464	157	(72)	549	306	(175)	680
MMI Insurance Reserve	365	1	-	366	-	-	366
Severn Trent Water	30	-	(30)	-	-	-	-
Barrow Hill Bridge	10	5	-	15	5	-	20
Business Rates	502	1,435	-	1,937	211	-	2,148
Repaid Improvement Grants	234	72	(84)	222	49	(87)	184
Northern Gateway	200	80	-	280	-	-	280
Theatre Restoration	269	101	(3)	367	96	(463)	-
Deficit Reduction	407	-	(150)	257	-	(150)	107
Digital Innovation	-	596	-	596	110	-	706
Service Redesign	-	750	-	750	-	-	750
Crematorium							
Crematorium Balance	162	174	(182)	154	103	(62)	195
Cremator Repairs	59	124	-	183	-	-	183
Crematorium Equipment	1	2	-	3	3	-	6
Organ Reserve	4	1	-	5	-	-	5
Revenue Reserves	6,784	5,509	(2,775)	9,518	3,270	(2,884)	9,904
Total Earmarked Reserves	8,514	6,315	(3,900)	10,929	4,165	(3,667)	11,427
General Fund Working Balance	1,500	-	-	1,500	-	-	1,500
HRA							
Housing Revenue Account Balance	24,977	2,440	-	27,417	1,968	(148)	29,237
Major Repairs Reserve (HRA)	-	10,372	(10,372)	-	10,893	(10,893)	-
Revenue Grants Unapplied	342	42	(105)	279	40	(179)	140
Total HRA Reserves	25,319	12,854	(10,477)	27,696	12,901	(11,220)	29,377

12. OTHER OPERATING EXPENDITURE

	2018/19 £000	2017/18 £000
Parish council precepts	434	418
Payments to Housing Capital Receipts Pool	925	925
(Gains)/losses on disposal of non-current assets	1,517	1,574
Other	33	40
TOTAL	2,909	2,957

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19 £000	2017/18 £000
Interest payable & similar charges	5,156	5,169
Net interest on net defined benefit liability	1,699	1,686
Interest and Investment Income	(428)	(237)
Income and expenditure in relation to Investment Properties	(2,727)	(2,607)
Changes in fair value of Investment Properties	(2,842)	4,137
(Gain)/loss on trading accounts	(840)	(1,141)
Transfer to / (from) Bad Debt Provisions	26	-
TOTAL	44	7,007

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2018/19 £000	2017/18 £000
Council tax income	(5,129)	(4,869)
Business Rates income & expenditure	(4,798)	(2,769)
Non-ringfenced government grants	(2,540)	(3,307)
Capital grants and contributions	(149)	(5,615)
TOTAL	(12,616)	(16,560)

15. OTHER TRADING UNDERTAKINGS

In 2018/19, 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.

	2018/19			2017/18
	Gross Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	1,048	(1,094)	(46)	(118)
Trade Refuse	538	(662)	(124)	(120)
Industrial Units	1,871	(3,204)	(1,333)	(1,317)
Town Centre shops	2,210	(3,028)	(818)	(921)
	5,667	(7,988)	(2,321)	(2,476)

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	
	2018/19	2017/18
£50,000 - £54,999	1	1
£55,000 - £59,999	3	2
£60,000 - £64,999	-	3
£65,000 - £69,999	4	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	1	1
£85,000 - £89,999	-	2
£90,000 - £94,999	1	-
£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).

2018/19	Salary (incl fees & allowances)	Expense Allowances	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2018/19	Pension Contributions	Total Remuneration incl pension contributions 2018/19
Post title	£	£	£	£	£	£
Chief Executive	108,858	242	-	109,100	15,440	124,540
Executive Director (a)	68,491	-	-	68,491	9,676	78,167
Executive Director	90,212	130	-	90,342	12,810	103,152
Director of Finance & Resources	82,416	325	-	82,741	11,703	94,444
Total	349,977	697	-	350,674	49,629	400,303

(a) The Executive Director left on 2/1/19 and was not replaced during the year.

2017/18	Salary (incl fees & allowances)	Expense Allowances	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2017/18	Pension Contributions	Total Remuneration incl pension contributions 2017/18
Post title	£	£	£	£	£	£
Chief Executive	106,726	457	-	107,183	15,137	122,320
Executive Director	88,443	78	-	88,521	12,559	101,080
Executive Director	88,443	23	-	88,466	12,559	101,025
Director of Finance & Resources	80,800	278	-	81,078	11,474	92,552
Total	364,412	836	-	365,248	51,729	416,977

The number of exit packages with total cost per band and total cost of the compulsory and other departures 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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£000	£000
£0 - £20,000	12	-	3	-	15	-	38	-
£20,001 - £40,000	-	-	2	-	2	-	70	-
£40,001 - £60,000	-	1	-	-	-	1	-	45
Total	12	1	5	-	17	1	108	45

17. **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 that is required to be made 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	2018/19 £000	2017/18 £000
Cost of Services		
Service cost comprising:		
• Current service cost	7,408	7,133
• Past service costs	9	45
• (Gain)/Loss from settlements	(39)	-
Financing & Investment Income and Expenditure		
• Net interest expense	1,699	1,686
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	9,077	8,864
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	(5,237)	(1,467)
• Actuarial gains and losses arising on changes in demographic assumptions	-	-
• Actuarial gains and losses arising on changes in financial assumptions	19,636	(4,483)
• Other	24	(74)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	23,500	2,840

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	(9,077)	(8,864)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	4,842	4,817

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:

	2018/19 £000	2017/18 £000
Present value of defined benefit obligation	263,697	236,258
Fair value of plan assets	(183,810)	(174,956)
Net liability arising from defined benefit obligation	79,887	61,302

Reconciliation of Movements in the Fair Value of Scheme Assets

	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	174,956	169,662
Interest income	4,704	4,401
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	5,195	1,458
Contributions from employer	4,804	4,781
Contributions from employees into the scheme	1,212	1,125
Benefits paid	(6,840)	(6,471)
Other	(221)	-
Closing fair value of scheme assets	183,810	174,956

Reconciliation of Present Value of Scheme Liabilities

	2018/19 £000	2017/18 £000
Opening balance at 1 st April	236,258	232,932
Current service cost	7,357	7,082
Interest cost	6,391	6,075
Contributions from scheme participants	1,212	1,125
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	-	-
• Actuarial gains/losses arising from changes in financial assumptions	19,546	(4,456)
• Other	24	(74)
Past service cost	9	45
Benefits paid	(6,840)	(6,471)
Liabilities extinguished on settlements	(260)	-
Closing balance at 31st March	263,697	236,258

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2018/19				2017/18			
	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	-	14,602	14,602	8%	-	8,406	8,406	5%
Equity Securities								
• Consumer	11,166	-	11,166	6%	11,246	-	11,246	6%
• Manufacturing	11,600	-	11,600	6%	15,364	-	15,364	9%
• Energy & utilities	8,125	-	8,125	4%	9,574	-	9,574	6%
• Financial institutions	8,951	-	8,951	5%	12,112	-	12,112	7%
• Health and care	5,824	-	5,824	3%	6,035	-	6,035	3%
• Information technology	4,391	-	4,391	2%	5,201	-	5,201	3%
• Other	19,646	-	19,646	11%	19,935	-	19,935	11%
Sub-total Equity	69,703	-	69,703	37%	79,467	-	79,467	45%
Debt Securities								
• Corporate	-	19,386	19,386	11%	-	13,783	13,783	8%
• UK Government	17,125	-	17,125	9%	16,539	-	16,539	9%
• Other	3,578	-	3,578	2%	2,726	-	2,726	2%
Sub-total Debt	20,703	19,386	40,089	22%	19,265	13,783	33,048	19%
Property								
• UK Property	-	14,662	14,662	8%	-	11,510	11,510	7%
Private Equity								
• All	2,563	2,455	5,018	3%	2,378	1,160	3,538	2%
Investment Funds & Unit Trusts								
• Equities	32,376	-	32,376	18%	33,296	-	33,296	19%
• Infrastructure	2,898	4,462	7,360	4%	2,685	3,006	5,691	3%
Sub-total Investment Funds & Unit Trusts	35,274	4,462	39,736	22%	35,981	3,006	38,987	22%
Total Assets	128,243	55,567	183,810	100%	137,091	37,865	174,956	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:

	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	21.9	21.9
• Women	24.4	24.4
Longevity at 65 for future pensioners		
• Men	23.9	23.9
• Women	26.5	26.5
Rate of inflation	2.5%	2.4%
Rate of increase in salaries	3.0%	2.9%
Rate of increase in pensions	3.0%	2.9%
Rate for discounting scheme liabilities	2.4%	2.7%
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	10%	27,011
0.5% increase in Salary Increase Rate	1%	3,604
0.5% increase in Pension Increase Rate	9%	22,954

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 2019/20 is £4.663m.

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 18/19 is 17.1 years.

Impact of Guaranteed Minimum Pension (GMP) and McCloud judgement

A legal ruling has recently been made regarding age discrimination arising from public sector pension scheme transition arrangements for judges (Court of Appeal:McCloud) and firefighter pensions (Court of Appeal:Sergeant). This ruling has implications for the Local Government Pension Scheme (LGPS) since similar reforms were implemented in this pension scheme.

In addition, there is uncertainty regarding the potential impact of GMP equalisation as a result of the Single State Pension introduced in April 2016.

Estimates of the impact of these two factors on the actuarial valuation were commissioned from the Pension Fund actuaries in July. The results indicated that the impact of these two factors was below materiality levels and the financial statements have not been amended to include the most recent estimates.

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 17 do not include Chesterfield Borough Council's share of the Crematorium pension fund which has its own separate fund.

18. MEMBERS' ALLOWANCES

The allowances and expenses paid to Members were as follows:

	2018/19 £000	2017/18 £000
Special Responsibility & Other Allowances	146	145
Basic Responsibility Allowances	286	287
Members expenses	3	3
TOTAL	435	435

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).

19. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19.

	2018/19 £000	2017/18 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	-	1,239
New Homes Bonus Grant	462	690
Sheffield City Region	-	5,369
Dept Communities & Local Government: - • Business Rate Relief	2,079	1,377
Other	149	246
TOTAL	2,690	8,921

Credited to Services:		
Capital		
Sheffield City Region	379	2,037
Derbyshire Better Care Fund	1,245	1,136
Environment Agency	98	117
Other	3	4
Revenue		
Dept for Work & Pensions – Housing Benefits	30,304	34,330
Dept Communities & Local Government	360	230
National Lottery Heritage	51	-
Other Government Grants	112	39
Derbyshire County Council:		
- Supporting people	296	316
- Highways agency	130	130
- Other	18	18
Other Local Authorities	27	16
S106 Contributions	31	26
TOTAL	33,054	38,399

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:

	2018/19 £000	2017/18 £000
Capital Grants Receipts in Advance		
Environment Agency	16	53
Derbyshire County Council	3	3
S106 Contributions	123	69
Other	11	11
TOTAL	153	136

20. EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspection, certification of grant claims and non-audit services.

	2018/19 £'000	2017/18 £'000
Fees payable to the auditors with regard to external audit services carried out by the appointed auditor	40	52
Fees payable to the auditor for certification of grant claims and returns	7	6
Fees payable in respect of any other services provided by the appointed auditor	4	3
Total	51	61

21. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

<u>Movements in 2018/19</u>	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	TOTAL £000
Gross Book Value								
Brought forward 1 April	340,472	73,432	2,970	6,061	4,072	1,835	3,468	432,310
Additions	14,961	1,044	297				8,072	24,374
Revals - Reval'n Res	(5,283)	(934)				(8)		(6,225)
Revals - surplus/deficit on provision of services	(1,322)	(486)				(925)		(2,733)
Derecog'n - disposals	(4,235)	(489)	(97)					(4,821)
Derecog'n - other	(3,346)							(3,346)
Impairment losses rev in s/d on provision of servs								-
Other movements	(12)	25	26				(51)	(12)
GBV at 31 March 19	341,235	72,592	3,196	6,061	4,072	902	11,489	439,547
Accumulated Depreciation & Impairment								
Brought forward 1 April	-	(4,576)	(2,483)	(3,387)	-	(7)	-	(10,453)
Additions - depreciation	(9,024)	(1,941)	(132)	(240)		(4)		(11,341)
Additions - impairment								-
Revals - Reval'n Res		1,812				4		1,816
Revals - surplus/deficit on provision of services	8,646							8,646
Derecog'n - disposals	132	30	92					254
Derecog'n - other	234							234
Impairment losses rev in s/d on provision of servs								-
Other movements	12							12
Depreciation & Impairment at 31 March 19	-	(4,675)	(2,523)	(3,627)	-	(7)	-	(10,832)
Net Book Value B/fwd	340,472	68,856	487	2,674	4,072	1,828	3,468	421,857
Net Book Value at 31 March 19	341,235	67,917	673	2,434	4,072	895	11,489	428,715

<u>Movements in 2017/18</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	343,059	73,461	2,849	6,061	4,072	1,241	1,238	431,981
Additions	13,782	453	121				2,230	16,586
Revals - Reval'n Res	1,670	(244)						1,426
Revals - surplus/deficit on provision of services	(9,836)	(101)						(9,937)
Derecog'n - disposals	(4,848)	(137)						(4,985)
Derecog'n - other	(2,749)							(2,749)
Reclassified to/from Held For Sale								-
Other movements	(606)					594		(12)
GBV at 31 March 18	340,472	73,432	2,970	6,061	4,072	1,835	3,468	432,310
<u>Accumulated Depreciation & Impairment</u>								
Brought forward 1 April	-	(4,024)	(2,352)	(3,147)	-	(3)	-	(9,526)
Additions - depreciation	(9,087)	(1,851)	(131)	(240)		(4)		(11,313)
Additions - impairment								-
Revals - Reval'n Res		1,224						1,224
Revals - surplus/deficit on provision of services	8,724	75						8,799
Derecog'n - disposals	149							149
Derecog'n - other	202							202
Reclassified to/from Held For Sale								-
Other movements	12							12
Depreciation & Impairment at 31 March 18	-	(4,576)	(2,483)	(3,387)	-	(7)	-	(10,453)
Net Book Value B/fwd	343,059	69,437	497	2,914	4,072	1,238	1,238	422,455
Net Book Value at 31 March 18	340,472	68,856	487	2,674	4,072	1,828	3,468	421,857

Depreciation

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

Council Dwellings:	9 – 40 years
Other Land & Buildings:	2 – 80 years
Vehicles, Plant, Furniture & Equipment:	5 – 10 years
Infrastructure	20 – 40 years

22. 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 18 £000
Community Rooms	92	-	92
Former Sports Centre	-	12	12
Land	-	791	791
Total 2018/19	92	803	895

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 18 £000
Community Rooms	81	-	81
Former Sports Centre	-	45	45
Land	-	1,702	1,702
Total 2017/18	81	1,747	1,828

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. These assets will be revalued in 2019/20 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 2019 £000	31 st March 2018 £000
Opening balance	1,747	1,153
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	(944)	-
Additions		594
Revaluations	-	-
Disposals	-	-
Closing Balance	803	1,747

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

	31 st March 2019 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Former Sports Centre	12	Depreciated Replacement Cost	Future use	Planning restrictions Adjacent to Heritage Park
Land	791	Market value	Future use	Planning restrictions Site issues - redevelopment

23. 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 01/4/18 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/3/19 £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>	2018/19 £000	2017/18 £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	-	-

24. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2020/21 amounting to approximately £57m of which approximately £9.8m was contractually committed at 31st March 2019.

	Approved Expenditure £000	Committed £000
Council Housing	41,702	5,566
Economic Development	8,602	2,676
Renovation Grants	2,935	198
Leisure	699	629
Planning & Property	100	-
Other Schemes	3,391	725
	57,429	9,794

25. 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.

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement (CFR) 1st April	147,486	148,342
<u>Capital Investment</u>		
Property, Plant and Equipment	24,374	16,586
Investment Properties	-	74
Intangible Assets	-	-
Heritage Assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,363	2,971
<u>Financed by</u>		
Capital Receipts	(5,308)	(3,819)
Capital Grants & Contributions	(5,339)	(3,655)
Revenue Balances & Direct Revenue Financing	(15,090)	(10,765)
Minimum / Voluntary Revenue Provision	(2,222)	(2,248)
Use of Capital Receipts to Repay Debt	-	-
Closing Capital Financing Requirement 31st March	145,264	147,486
Increase/(Decrease) in CFR	(2,222)	(856)
<u>Analysis of Increase/(Decrease) in CFR</u>		
Supported by Government Financial Assistance	-	-
Unsupported by Government Financial Assistance	(2,222)	(856)
Increase/(Decrease) in CFR	(2,222)	(856)

26. 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.

	2018/19 £000	2017/18 £000
Rental income from investment property	(4,246)	(4,010)
Direct operating expenses arising from investment property	1,519	1,403
Net (gain)/loss	(2,727)	(2,607)

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:

	2018/19 £000	2017/18 £000
Balance at start of year	46,182	50,387
Additions:		
Subsequent expenditure	-	74
Disposals	(1,086)	(40)
Net gains/losses from fair value adjustments	2,842	(4,239)
Other changes	(7,791)	-
Balance at end of year	40,147	46,182

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 19 £000
Industrial units & Trading Estates	23,606	-	23,606
Retail & Office	14,741	-	14,741
Undeveloped Land	375	480	855
Miscellaneous	780	165	945
Total 2018/19	39,502	645	40,147

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 18 £000
Industrial units & Trading Estates	18,306	-	18,306
Retail & Office	17,395	-	17,395
Undeveloped Land	9,196	473	9,669
Miscellaneous	647	165	812
Total 2017/18	45,544	638	46,182

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	31st March 2019 £000	31st March 2018 £000
Opening balance	638	603
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	7	35
Additions	-	-
Revaluations	-	-
Disposals	-	-
Closing Balance	645	638

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

	31 st March 2019 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Undeveloped Land	480	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	165	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.

27. 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 2019 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).

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 1.14 of the Summary of Significant Accounting Policies.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		377	3,196	6,061	4,072		11,489	25,195
<u>Valued at current value</u>								
2018/19	341,235	11,128				863		353,226
2017/18		11,157						11,157
2016/17		34,014				39		34,053
2015/16		11,727						11,727
2014/15		4,189						4,189
Total Gross Book Value	341,235	72,592	3,196	6,061	4,072	902	11,489	439,547

28. DEPRECIATION

The treatment of depreciation is described in Note 1.15 of the Summary of Significant Accounting Policies.

29. IMPAIRMENT LOSSES

During 2018/19, the Council recognised an impairment loss of £226,421 in relation to Saltergate Multi-Storey Car Park. The car park was coming to the end of its useful life and was not capable of cost effective or satisfactory repair and restoration. The structure was demolished in 2018/19 in order for construction of a replacement car park to commence. The impairment loss has been charged to the Town Centre and Visitor Economy line in the Comprehensive Income and Expenditure Statement.

30. 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	
	2019 £000	2018 £000
Not later than 1 year	718	716
Later than 1 year and not later than 5 years	2,375	2,319
Later than 5 years	9	587
Total	3,102	3,622

There were no future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2019 or 31st March, 2018.

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

	Year Ended 31 st March	
	2019 £000	2018 £000
Minimum lease payments	670	669
Contingent rents	8	8
Total	678	677

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	
	2019 £000	2018 £000
Not later than 1 year	2,109	1,989
Later than 1 year and not later than 5 years	3,878	4,132
Later than 5 years	3,396	3,643
Total	9,383	9,764

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 2018/19, £210,720 contingent rents were receivable by the Authority (2017/18 £243,519).

31A. DEBTORS

	31 st March	
	2019 £000	2018 £000
Central Government	2,207	1,162
Other Local Authorities	2,216	846
Other Entities & Individuals	5,993	2,543
Total	10,416	4,551

31B. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed as follows:

	31st March	
	2019 £000	2018 £000
Less than one year	728	204
More than one year	479	588
Total	1,207	792

32. CASH & CASH EQUIVALENTS

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

	31st March	
	2019 £000	2018 £000
Cash held	16	17
Bank current accounts	(498)	(821)
Short term deposits with banks & other financial institutions	20,467	26,926
Total	19,985	26,122

33. ASSETS HELD FOR SALE

	Current		Non Current	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
<u>Investment Property Held for Sale</u>				
Balance brought forward at 1 April	-	43	-	-
Revaluations	-	-	-	-
Assets newly classified as held for sale	-	-	-	-
Assets declassified as held for sale	7,791	-	-	-
Assets sold	-	(43)	-	-
Balance carried forward at 31 March	7,791	-	-	-
<u>Other Assets Held for Sale</u>				
Balance brought forward at 1 April	-	-	-	-
Assets newly classified as held for sale	-	-	-	-
Assets declassified as held for sale	-	-	-	-
Assets sold	-	-	-	-
Balance carried forward at 31 March	-	-	-	-
<u>Net Sale Proceeds</u>				
Investment Property	-	-	-	-
Other Assets	-	-	-	-

34. CREDITORS

	31st March	
	2019 £000	2018 £000
Central Government	902	1,310
Other Local Authorities	3,615	1,134
Public Works Loan Board	3,857	3,904
Other Entities & Individuals	9,405	7,687
Total	17,779	14,035

35. PROVISIONS

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

	Balance b/fwd 01/4/18 £000	Movements in year		Balance c/fwd 31/3/19 £000
		Additions £000	Applied £000	
Short Term Provisions				
Non Domestic Rate Appeals	339	487	-	826
D.L.O. Provision	317	602	(317)	602
Redundancy Provision	33	55	(33)	55
Total – Short Term Provisions	689	1,144	(350)	1,483
Long Term Provisions				
Non Domestic Rate Appeals	1,043	900	(405)	1,538
Transport Employee Pensions	1,008	64	(47)	1,025
Insurance Provision	735	226	(154)	807
MMI Provision	16	-	-	16
Other	14	-	(7)	7
Total – Long Term Provisions	2,816	1,190	(613)	3,393

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 2019 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 108.

36. FINANCIAL INSTRUMENTS BALANCES

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

Financial Assets	Long term				Current			
	Investments		Debtors		Investments		Debtors	
	31 st March				31 st March			
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Fair value through profit or loss	-	-	-	-	19,467	29,165	-	-
Amortised cost	150	200	-	-	28,628	19,337	6,064	2,385
Total financial assets	150	200	-	-	48,095	48,502	6,064	2,385
Non-financial assets	-	-	-	-	-	-	4,352	2,166
Total	150	200	-	-	48,095	48,502	10,416	4,551

Financial Liabilities	Long term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 st March				31 st March			
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	127,348	129,350	-	-	2,498	3,047	14,288	12,397
Total financial liabilities	127,348	129,350	-	-	2,498	3,047	14,288	12,397
Non-financial liabilities	-	-	-	-	-	-	3,491	1,638
Total	127,348	129,350	-	-	2,498	3,047	17,779	14,035

Reclassification and remeasurement of financial assets at 1st April 2018

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets. The table below shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code and the remeasurements of carrying amounts then required:

	Carrying amount brought forward at 1 st April £000	New classifications at 1 st April 2018	
		Amortised cost £000	Fair value through profit or loss £000
Previous classifications			
Loans & Receivables	21,722	21,722	-
Available for Sale	21,929	-	21,929
Fair Value through profit or loss	7,236	-	7,236
Reclassified amounts at 1st April 2018	50,887	21,722	29,165
Remeasurements at 1 st April 2018	-	-	-
Remeasured carrying amounts at 1st April 2018	50,887	21,722	29,165

Effect of reclassification and measurement on the Balance Sheet

The table below shows how the new balances at 1st April 2018 for financial assets are incorporated into the Balance Sheet:

	Amortised cost £000	Fair value through profit or loss £000	Non-financial instrument balances £000	Total Balance Sheet carrying amount £000
Remeasured carrying amounts at 1st April 2018	21,722	29,165	2,591	53,478
Long term debtors	50	-	408	458
Short term investments	14,287	7,239		21,526
Cash and cash equivalents	5,000	21,926	17	26,943
Short term debtors	2,385	-	2,166	4,551

37. FINANCIAL INSTRUMENTS INCOME, EXPENSE, GAINS/LOSSES

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

	2018/19		2017/18	
	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	(98)	-	(24)	-
Financial assets measured at amortised cost	-	-	-	-
Total net gains/losses	(98)	-	(24)	-
Interest revenue				
Financial assets measured at amortised cost	(284)	-	(115)	-
Financial assets measured at fair value through other comprehensive income	(36)	-	(85)	-
Total interest revenue	(418)	-	(224)	-
Total interest expense	5,035	-	5,169	-

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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, including the valuation techniques used to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/3/19 £000	Value as at 31/3/18 £000
Fair Value through Profit or Loss				
UK Gilt	Level 1	Unadjusted quoted prices in active markets	-	3,225
Money Market Funds	Level 1	Unadjusted quoted prices in active markets	19,467	21,929
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets	-	4,011
Total			19,467	29,165

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

The Fair Values of Financial Assets and Financial Liabilities that are Not Measured at Fair Value but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Council are carried in the balance sheet at amortised cost. Their fair values are calculated as follows:

Financial Liabilities	31 st March 2019		31 st March 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	129,846	158,342	132,397	178,400

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.

Financial Assets	31 st March 2019		31 st March 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables held at amortised cost	28,778	28,778	19,537	19,537

For loans and receivables held at amortised cost, 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 19 £000
Financial Liabilities			
PWLB loans	-	157,836	157,836
Total	-	157,836	157,836

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 st March 18 £000
Financial Liabilities			
PWLB loans	-	177,309	177,309
Total	-	177,309	177,309

For the remaining £0.5m 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.

39. 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, as well as credit exposures to the authority's customers. The risk is minimised through the adoption of the Annual Investment Strategy published annually on our website.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include the UK government, other local authorities, and commercial entities with a minimum long-term credit rating of A-. The list of approved counterparties has been compiled using advice from our independent treasury advisers who have fully researched their background and credit worthiness. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than UK government). The Council also sets limits on investments in certain sectors. No more than £10m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating at 31st March 2019:

Credit Rating	Gross Carrying Amount £000
AAA	19,467
AA	1,000
AA-	3,000
A+	6,500
Unrated Local Authorities	18,000

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. At 31st March 2019 £2,768 of loss allowances related to treasury investments.

The authority does not generally allow credit for customers, such that £1.494m (£1.725m in 2017/18) of the £2.422m (£2.838m in 2017/18) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2019 £000	31st March 2018 £000
Less than three months	331	275
Three to six months	103	100
Six months to one year	327	328
More than one year	733	1,022
Total	1,494	1,725

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and 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. The risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 5% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities is as follows:

Maturing within	31st March 2019 £000	31st March 2018 £000
1 year	2,498	3,047
1 to 2 years	1,919	2,000
2 to 5 years	7,910	6,821
5 to 10 years	13,424	13,534
10 to 15 years	18,895	16,785
15 to 20 years	24,600	24,810
20 to 25 years	21,400	22,800
25 to 30 years	17,000	17,000
30 to 35 years	12,600	14,800
35 to 40 years	6,000	6,000
40 to 45 years	3,600	4,800
45 to 50 years	-	-
Total	129,846	132,397

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 instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – fair value of liabilities borrowings will fall

- Investments at variable rates – interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – fair value of assets will fall

Investments measured at amortised cost and loans taken out are not carried at fair value, so changes in their value 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 Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income & Expenditure.

The authority has a number of strategies for managing interest rate risk. For 2018/19, the upper limit for exposure to variable rate debt was set at £60m (£66m in 2017/18).

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

At 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2018/19 £000
Increase in interest receivable on variable rate investments	(169)
Decrease in fair value of investments held at FVPL	-
Impact on other Comprehensive Income and Expenditure	(169)
Decrease in fair value of loans and investments at amortised cost (no impact on comprehensive Income and Expenditure)	26
Decrease in fair value of loans and investments at amortised cost (no impact on comprehensive Income and Expenditure)	20,120

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

Price Risk

The authority may at times hold some financial instruments whose capital value may fluctuate as a result of market conditions. However these instruments would all be 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.

40. USABLE RESERVES

	31st March	
	2019 £000	2018 £000
Earmarked Reserves - Capital	1,523	1,411
Earmarked Reserves - Revenue	9,904	9,518
Total Earmarked Reserves (GF)	11,427	10,929
General Fund(GF) Working Balance	1,500	1,500
HRA Working Balance	29,237	27,417
Earmarked Reserves - HRA	140	279
Useable Capital Receipts Reserve	5,255	4,703
Capital Grants Unapplied	3,217	6,612
Total Usable Reserves	50,776	51,440

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. 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>	2018/19 £000	2017/18 £000
Brought forward 1 April	4,703	3,475
Additions	6,785	5,972
Pooling liability	(925)	(925)
Financing of capital expenditure	(5,308)	(3,819)
Carried forward 31 March	5,255	4,703

<u>Capital Grants Unapplied</u>	2018/19 £000	2017/18 £000
Brought forward 1 April	6,612	1,124
Additions	569	5,490
Transfers (to)/from revenue	(138)	-
Financing of capital expenditure	(3,826)	(2)
Carried forward 31 March	3,217	6,612

41. UNUSABLE RESERVES

	31st March	
	2019 £000	2018 £000
Revaluation Reserve	29,667	27,188
Capital Adjustment Account	305,991	297,762
Financial Instruments Adjustment Account	(24)	(32)
Pensions Reserve	(80,422)	(61,763)
Deferred Capital Receipts Reserve	680	171
Collection Fund Adjustment Account	(645)	(1,511)
Accumulated Absences Account	(299)	(295)
Total Unusable Reserves	254,948	261,520

42. REVALUATION RESERVE

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

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

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

	2018/19 £000	2017/18 £000
Balance brought forward 1 st April	27,188	26,063
Revaluation gains	4,804	3,458
Revaluation and impairment losses	(569)	(809)
Amounts t/f to Cap Adj Account (Depreciation)	(1,452)	(1,327)
Amounts t/f to Cap Adj Account (Disposals)	(304)	(197)
Balance carried forward 31st March	29,667	27,188

43. CAPITAL ADJUSTMENT ACCOUNT

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

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

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

	2018/19 £000	2017/18 £000
Balance brought forward 1st April	297,762	303,005
<u>Reversal of items recognised in the Comprehensive Income & Expenditure Statement</u>		
Property, Plant & Equipment: depreciation charges	(11,341)	(11,313)
Property, Plant & Equipment: net revaluation gains/(losses)	(2,666)	(1,984)
Intangible Assets: amortisation charges	(126)	(129)
Revenue expenditure funded from capital under statute	(1,363)	(2,971)
Disposal/derecognition of non-current assets	(8,765)	(7,466)
Gain/(loss) in fair value of investment properties	2,775	(3,391)
<u>Amounts transferred from the Revaluation Reserve</u>		
Depreciation adjustment	1,452	1,327
Disposal/derecognition adjustment	304	197
<u>Capital financing provisions</u>		
Application of usable capital receipts	5,308	3,819
Application of Major Repairs Reserve	10,893	10,372
Application of revenue balances and direct revenue financing	4,197	393
Capital grants/contributions recognised in revenue during the period	5,332	3,653
Application of capital grants unapplied	7	2
Minimum revenue provision	2,222	2,248
Balance carried forward 31st March	305,991	297,762

44. 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.

	2019 £000	2018 £000
Balance brought forward at 1st April	(61,763)	(63,741)
Actual gains or losses on pension assets and liabilities	(14,423)	6,025
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	(9,077)	(8,864)
Employers pension contributions	4,841	4,817
Balance at 31st March	(80,422)	(61,763)

45. 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.

	2019 £000	2018 £000
Balance brought forward at 1st April	171	176
Additions	513	-
Transfer to Capital Receipts Reserve on receipt of cash	(4)	(5)
Balance at 31st March	680	171

46. 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.

	2019 £000	2018 £000
Balance brought forward at 1st April	(1,511)	(344)
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	866	(1,167)
Balance at 31st March	(645)	(1,511)

47. 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.

	2019 £000	2018 £000
Balance brought forward at 1st April	295	292
Settlement or cancellation of accrual made at end of preceding year	(295)	(292)
Amounts accrued at end of current year	299	295
Balance at 31st March	299	295

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

	2018/19 £000	2017/18 £000
Depreciation/Impairment	(14,134)	(13,446)
Movement in Fair Value of Investments	(10)	(29)
(Increase)/decrease in Creditors	798	(4,252)
Increase/(decrease) in Debtors	3,247	(2,404)
Increase/(decrease) in Stock	15	(12)
Movement in Pension Liability	(4,235)	(4,046)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(8,765)	(5,942)
Movement in Investment Property Value	2,775	(3,390)
Other non-cash items charged to net surplus/deficit on provision of services	(1,370)	415
Total	(21,679)	(33,106)

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

	2018/19 £000	2017/18 £000
Proceeds from sale of PPE, investment properties & intangible assets	7,294	5,968
Capital grants	2,082	9,142
Total	9,376	15,110

50. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000	2017/18 £000
Interest received	(390)	(280)
Interest paid	5,040	5,191

51. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of non-current assets	22,117	16,261
Purchase of short term and long term investments	27,500	17,000
Other payments for investing activities	96	224
Proceeds from sale of non-current assets	(7,299)	(5,972)
Proceeds from short term and long term investments	(21,475)	(17,500)
Other receipts from investing activities	(1,636)	(9,136)
Net cash flows from investing activities	19,303	877

52. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Repayments of short and long term borrowing	2,217	4,341
Other payments for financing activities	(130)	2,790
Net cash flows from financing activities	2,087	7,131

53. 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 19 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 2018/19 is shown in Note 18. In addition, the Council paid grants totalling £243,079 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 with one exception.

During 2018/19, work to the value of £37,777 was commissioned from a company in which a member of the immediate family of a council member had an interest. Contracts were entered into in full compliance with the council's standing orders.

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 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.

The authority is a shareholder in Derbyshire Building Control Partnership Ltd. The company provides us with our annual statutory building control services for £54,500. This authority also provided the company with a loan of £250,000 in 2017/18 for cash flow and initial set up costs. This loan is repayable in equal annual instalments over 5 years at an interest rate of 3% above the Public Works Loan Board rate. This equates to an interest rate of 4.85%. A member of the Corporate Management Team is acting as interim Managing Director of the company but receives no remuneration for this role. The Council's Chief Executive is also listed as a Director of the company but again receives no remuneration.

54. 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
2018/19	55%	31%	14%
2017/18	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

2017/18 Net Expenditure £000		2018/19		
		Expenditure £000	Income £000	Net Expenditure £000
(45)	Health & Wellbeing	860	(906)	(46)
(45)	Net Cost of Service	860	(906)	(46)

Balance Sheet

2017/18 £000		2018/19 £000
	<u>Long Term Assets</u>	
1,211	Other Land & Buildings	1,158
20	Vehicles, Plant, Furniture & Equipment	15
36	Investment Properties	36
	<u>Current Assets</u>	
1	Stock	1
182	Debtors	115
788	Cash	1,010
	<u>Current Liabilities</u>	
(136)	Creditors	(142)
	<u>Long Term Liabilities</u>	
915	Pension Scheme Assets	984
(1,377)	Pension Scheme Liabilities	(1,519)
1,640	Net Assets	1,658
231	Revaluation Reserve	231
1,022	Capital Adjustment Account	965
(461)	Pensions Reserve	(535)
694	Earmarked Reserves	802
154	Balances – Revenue Surplus	195
1,640	Total Reserves	1,658

55. THE ARVATO PARTNERSHIP

2018/19 is the ninth year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, payroll, 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 2019 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2019/20	4,536
Payable within two to five years	2,534
Total	7,070

56. CONTINGENT LIABILITIES

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2019. 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.

Land Dispute

The Council is a defendant in proceedings regarding a disputed right of way over council land. The claimant has estimated their costs to trial at £70k, some or all of which we may be liable for should their claim be successful.

57. EVENTS AFTER THE BALANCE SHEET DATE

During 2018/19, the Council commenced work on the building of 4 council houses which were nearing completion at the balance sheet date. The cost of this scheme is included in the 'Assets under Construction' element of the balance sheet.

In April 2019, it was discovered that there is an underground fire under these properties and remedial work will be required to extinguish this fire. This will necessitate the demolition of these properties.

An investigation will begin shortly to ascertain the full facts. It is not possible to provide further information on the costs and outcomes of this until the investigation is complete.

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	2018/19 £000	2017/18 £000
Income:			
Dwellings Rents	1	35,514	36,262
Charges for Services and Facilities		409	441
Non-Dwelling Rents		789	779
Contribution towards Expenditure		493	505
Total Income		37,205	37,987
Expenditure:			
Supervision & Management : General		5,978	5,761
Special		2,317	2,169
Rents, Rates, Taxes & Other Charges		280	606
Repairs and Maintenance		8,321	8,073
Depreciation & Impairment of non-current assets	7 & 8	11,346	10,307
Debt Management Costs		45	47
REFCUS		-	20
Movement in the allowance for bad debts		(1,874)	2,173
Total Expenditure		26,413	29,156
Net Expenditure/(Income) of Services as included in the Comprehensive Income & Expenditure Statement		(10,792)	(8,831)
HRA share of Corporate & Democratic Core		39	30
Net Expenditure/(Income) for HRA Services		(10,753)	(8,801)
HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement			
(Gain)/Loss on Disposal of HRA non-current assets		2,053	1,663
HRA share of interest payable & similar charges		4,860	4,961
Interest & Investment Income		(121)	(75)
Change in Market Value of Investment Properties		(67)	848
Income & Expenditure re Investment Properties		(66)	(67)
(Surplus)/Deficit on HRA Services		(4,094)	(1,471)

Movement on the HRA Statement	2018/19 £000	2017/18 £000
Balance on HRA at end of previous year	(27,417)	(24,977)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	(4,094)	(1,471)
Adjustments between accounting basis and funding basis under statute (note 9)	2,413	(906)
Net (Increase)/Decrease before transfers to or from reserves	(1,681)	(2,377)
Transfers to/(from) reserves	(139)	(63)
(Increase)/decrease in year on HRA	(1,820)	(2,440)
Balance on HRA at end of current year	(29,237)	(27,417)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,089 dwellings available for rent during 2018/19. 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, £537,158 (1.51%) of rental income was lost due to vacant properties, in 2017/18 the figure was £750,025 (2.07%). The average weekly rent in 2018/19 was £76.43 (52 week year), a decrease of £0.53 (0.69%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2019 was as follows:

	31 Mar 19	31 Mar 18
Houses	4,531	4,621
Flats & maisonettes	3,124	3,136
Bungalows	1,392	1,393
Others	42	42
Total	9,089	9,192

The number of properties sold under the 'Right to Buy' legislation in 2018/19 was 100 (105 in 2017/18).

3. RENT ARREARS

Rent arrears at the year-end totalled £1,573,067. This compares with £1,981,331 at 31st March, 2018. A provision of £569,828 (£3,034,109 in 2017/18) 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 2019 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 2018 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2019 £000	As at 31 st March 2018 £000
Council Dwellings	341,235	340,472
Other Land & Buildings	3,808	3,909
Vehicles, Plant, Furniture & Equipment	6	8
Assets Under Construction	3,855	1,132
Surplus Assets Not Held for Sale	791	1,702
Investment Property	1,107	3,637
Investment Property Held for Sale	2,597	-
Total	353,399	350,860

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, 2018 was £809m (£811m 1st April 2017). 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	14,961	Borrowing	-
Assets Under Construction	2,722	Capital Receipts Reserve	3,466
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	10,893
REFCUS	-	Grants & Contributions	-
		Revenue Balances & Direct Revenue Financing	3,324
Total	17,683		17,683

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2018/19 £000	2017/18 £000
Council Dwellings	5,057	5,153
Other Land & Property	105	580
Total	5,162	5,733

7. DEPRECIATION

HRA Depreciation	2018/19 £000	2017/18 £000
Council Dwellings	9,024	9,087
Other Land and Buildings	107	107
Vehicles, Plant, Furniture and Equipment	2	3
Total	9,133	9,197

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	2018/19 £000	2017/18 £000
Council Dwellings	1,322	1,111
Other Land and Buildings	-	-
Surplus Assets Not Held for Sale	891	-
Revaluation and Impairment Losses	2,213	1,111
REFCUS – Social Mobility Scheme	-	20
Movements in the fair value of investment property	(67)	848
Total	2,146	1,979

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2018/19 £000	2017/18 £000
Net gain/(loss) on sale of HRA non-current assets	(2,053)	(1,663)
HRA share of contributions to or from the Pensions Reserve	(453)	(453)
Capital expenditure funded by the HRA	3,324	-
Transfer to/(from) Major Repairs Reserve	1,760	1,175
Movement in Market Value of Investment Properties (note 8)	67	(848)
Transfer to/(from) Capital Adjustment Account (note 8)	(2,213)	(1,131)
Voluntary Repayment of Debt	1,985	2,015
Short Term Accumulated Absences	(4)	(1)
Total Adjustments	2,413	(906)

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.

2017/18		2018/19		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
	<u>Income</u>			
(47,051)	Council Tax (Note 1)	-	(49,528)	(49,528)
(33,521)	Business Rates (Note 2)	(38,781)	-	(38,781)
(80,572)		(38,781)	(49,528)	(88,309)
	<u>Expenditure</u>			
	Apportionment of Previous Year Surplus/(Deficit)			
(133)	Central Government	(360)	-	(360)
(68)	Chesterfield Borough Council	(288)	54	(234)
248	Derbyshire County Council	(65)	389	324
14	Derbyshire Fire Authority	(7)	23	16
41	Derbyshire Police & Crime Commissioner	-	58	58
102		(720)	524	(196)
	Precepts, Demands & Shares			
18,463	Central Government	-	-	-
19,604	Chesterfield Borough Council	18,114	5,034	23,148
37,865	Derbyshire County Council	17,752	36,598	54,350
2,438	Derbyshire Fire Authority	362	2,150	2,512
5,148	Derbyshire Police & Crime Commissioner	-	5,541	5,541
83,518		36,228	49,323	85,551
	Charges to Collection Fund			
658	Transitional Protection Payments	163	-	163
129	Increase/(Decrease) in bad debt provision (Note 5)	(124)	(739)	(863)
(1,061)	Increase/(Decrease) in provision for appeals (Note 6)	1,276	-	1,276
164	Cost of Collection Allowance	164	-	164
2,938	(Surplus)/Deficit arising during year	(1,794)	(420)	(2,214)
484	(Surplus)/Deficit Brought Forward	3,900	(478)	3,422
3,422	(Surplus)/Deficit as at 31st March (Notes 3 & 4)	2,106	(898)	1,208

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	33	5/9	18
A	16,943	6/9	11,295
B	8,352	7/9	6,496
C	5,387	8/9	4,788
D	3,434	9/9	3,434
E	1,710	11/9	2,090
F	510	13/9	737
G	197	15/9	329
H	10	18/9	20
Totals	36,576		29,207
Less adjustment for collection rate			(438)
Council Tax Base			28,769

The basic amount of Council Tax for a Band D property was £1,699.35 (£1,619.73 2017/18).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (49.3p in 2018/19 and 47.9p in 2017/18) 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 48.0p for 2018/19 (46.6p in 2017/18).

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 2019 was £99,692,046 (£98,162,096 at 31st March 2018).

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.

For 2018/19, the Council was successful in being chosen as a 100% Business Rates Retention Pilot authority together with the other authorities who form the Derbyshire Pool.

Under the accounting arrangements for the Derbyshire Pilot, instead of each authority paying a proportion of their growth in business rates above a baseline to central government, 100% of the business rates collected is retained by the Pilot with each authority receiving a proportion of the additional business rates growth at the end of the financial year. The Council's share of the redistributed growth received in 2018/19 was £549,208.

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 deficit of £27,135 was assumed when setting the Council Tax for 2019/20. The improved outturn position of £925,266 will be accounted for in the tax calculation for 2020/21.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2019 £000	2018 £000
Derbyshire County Council	661	354
Derbyshire Police & Crime Commissioner	109	53
Derbyshire Fire Authority	38	21
Chesterfield Borough Council	90	50
Council Tax (Deficit)/Surplus	898	478

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 2020/21 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 £2,587,322 was assumed in the calculation of business rate income in 2019/20. The reduction in deficit of £480,881 will be distributed in the income calculation for 2020/21.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH	
	2019 £000
Derbyshire County Council	240
Derbyshire Fire Authority	(21)
Central Government	(1,590)
Chesterfield Borough Council	(735)
Council Tax (Deficit)/Surplus	(2,106)

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 debtor or 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	675	(125)	(124)	426
Council Tax	2,222	(182)	(739)	1,301
Total	2,897	(307)	(863)	1,727

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
3,454	(809)	2,085	4,730

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 £434,068 parish precepts (Staveley £383,514 and Brimington £50,554).

AUDITORS REPORT (Covering pages 23 - 109)

Expected by 31st July 2019



Audit Completion Report

Chesterfield Borough Council

Year ending 31 March 2019

CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Standards and Audit Committee Members
Chesterfield Borough Council
Town Hall
Rose Hill
Chesterfield
Derbyshire
S40 1LP

11 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0787 597 4291.

Yours faithfully

Mark Surridge
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number 0001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Chesterfield Borough Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Standards and Audit Committee meeting on 17 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

Significant Audit Risks:

- Management override of controls
- Valuation of property, plant and equipment (PPE), investment properties (IP) and assets held for sale (AHFS)
- Valuation of net defined benefit liability

Key Judgement Areas:

- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

Status of our audit work

Our onsite audit work started 17 June 2019. This first year audit carried out by Mazars has been challenging, given the tight timescale for us to complete the work and for management to respond to our audit queries. We have though substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the matters outstanding, which we will continue to work on up to the date of the Committee's meeting, include:

- Finalising our work in testing the significant risk areas identified in our relating to the PPE, AHFS and IP valuations, including clearing our queries with the Council's valuer and other officers
- Finalising our work in relation to the significant risk areas relating to the net Pensions liability, including reviewing the assurances received from the Derbyshire PF auditor, reviewing the latest IAS19 valuation report and the disclosures in the final set of the financial statements and reviewing and acting on the latest PwC report (for NAO) on the Actuaries' work
- Receiving the outstanding requested 3rd party verifications for the Council's bank accounts and investments, and completing our testing of the Cash and Cash equivalents, Borrowing and Creditors balances
- Receiving the requested evidence requested from officers to complete our non-pay, fees and charges and outstanding liabilities transaction testing
- Checking the amendments to the draft financial statements proposed by management to correct the identified non-material errors identified during the audit.
- Clearing any remaining Manager or director review points and completing the remaining audit closure steps.

We will update the Standards and Audit Committee at its 17 July 2019 meeting on these and any other matters arising from the audit.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Standards and Audit Committee in April 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £2.549k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, was at £2.108k, using the same benchmark measure but recognising the change in its value for 2018/19. We set our trivial threshold (the level under which individual errors are not communicated to the Standards and Audit Committee), at the planning stage of the audit at £76k (3% of materiality), and again our final assessment has been changed (to £63k) to reflect the fall in the benchmark value.

1. EXECUTIVE SUMMARY

Key findings of our work

As we outline below, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing, subject to completing the remaining audit procedures, an unqualified opinion, without modification, on the amended financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions from local electors.

Misstatements and internal control recommendations

At Section 3 we have confirmed that, based on the audit work completed to date, there are no identified significant control deficiencies we are required to report to the Standards and Audit Committee..

At Section 4 we have summarised the audit misstatements identified from the audit work to date that we are required to report to the Standards and Audit Committee.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit that include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded that the financial statements have been prepared in accordance with the financial reporting framework and provide commentary on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration and reported these to you in our Audit Strategy Memorandum. Our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management
override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by:

- Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;
- Evaluating the business rationale for any significant transactions outside the course of the business;
- Understanding the oversight given by those charged with governance of management process over fraud;
- Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud;
- Considering whether the Council's accounting policies are consistent with industry standards;

Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

- Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;
- Sample test accruals and provisions based on established testing thresholds; and
- Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of property, plant and equipment, investment properties and assets held for sale

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

Relevant account balances

Where relevant, Cost of Services (Expenditure) for any impairment charges

Those items of Property, Plant and Equipment held at valuation being Council Dwellings, Other Land and Buildings and Surplus Assets as described in Note 21.

Assets Held for Sale

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum.

We addressed this risk through performing the following audit work:

- Reconciling valuations from the valuer's report had been recorded in the Fixed Asset Register
- Testing a sample of assets valued during the year to valuation reports
- Where material, testing the basis for impairment of assets, the value and correct accounting treatment
- Critically assessing the Council's valuer's scope of work and methodology used
- Considering the impact of any assets not valued during the year

In our Audit Strategy Memorandum we also said we would test a sample of capital expenditure in 2018/19 where material to confirm that the additions are appropriately valued in the financial statements. This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, it formed part of our standard audit procedures.

Audit conclusion

Our work to date has not identified any material errors in the financial statements

Our work, however, is ongoing and we will provide an update to the Standards and Audit Committee on the day of the meeting.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of net defined pension liability

Description of the risk

The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

Relevant account balances

Net defined pension liability

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

Audit conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. Our audit work is however in progress and we will update the Standards and Audit Committee on any significant matters which affect our audit conclusion.

The updated IAS19 valuation report received 5 July 2019, to take into account the implications of the GMP and McCloud judgement, includes non-material differences to the original report used to prepare the draft financial statements. Management does not propose to amend the draft financial statements for these differences. We have summarised the unadjusted misstatements at page 11.

2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgment

Provision for business rate appeals against the rating list

Description of the judgment

The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

How we addressed this management judgement

We addressed this judgment through by:

- Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; and
- Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability.

Audit conclusion

Our audit procedures relating to the Council's provision for business rate appeals have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention.

Key area of management judgment

Minimum Revenue Provision (MRP)

Description of the judgment

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

How we addressed this management judgement

We addressed this judgment through performing the following audit work:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Confirming that any charge has been accounted for in accordance with the Code.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements in relation to the Council's MRP

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 May 2019 deadline and were complete. We also received the requested working papers ahead of our audit visit and officers have responded to audit queries and requests for additional information as the audit has progressed.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff. We will meet with officers ahead of the 2019/20 audit to provide feedback on the detailed working papers and any improvement opportunities for other areas related to the accounts production and audit processes.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

At this stage, based the audit work carried out, we have not identified any significant control deficiencies that we are required to report to you. We will update the Standards and Audit Committee at its 17 July 2019 meeting if there are any matters arising from that work that we are required to report.



4. SUMMARY OF MISSTATEMENTS

We set out below, based on the work completed to date, the unadjusted misstatements above the level of trivial threshold of £63k identified during the course of the audit.

No material misstatements have been identified during our audit.

We will update the Standards and Audit Committee if any further reportable misstatements are identified from the remaining audit work in progress. The Management Letter of Representation (Appendix A) will need to provide specific reference to any unadjusted misstatements referred to below or in our update to the 17 July 2019 Committee meeting.

Unadjusted misstatements 2018/19

	Before £'000	If Adjustment was applied £'000
1 Balance Sheet - Net Pension Liability	80,422	81,748
Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	7,408	8,716
Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,699	1,717
<p>Updated figures as a result of a revised actuarial valuation, taking into account assumptions for the potential impact of Guaranteed Minimum Pension equalisation and the outcome of the 'McCloud' judgement relating to the 2014 reforms of the LGPS benefit structure. There are also additional consequential changes to the Pension Fund note, but none of these items impact the Council's General Fund.</p> <p>Management have not made these adjustments on the basis that they believe the impact is not material and does not detract from a true and fair view of the financial statements.</p> <p>The Standards and Audit Committee needs to formally consider whether or not to support management's assertion.</p>		

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we did not identify any significant risks to our VFM conclusion.

Matters kept under review

We did identify in our Audit Strategy Memorandum the following matter which we needed to keep under close review:

Financial sustainability - the 2020/21 onwards financial position is uncertain (common to all bodies in the sector) and the demands/funding assumptions indicate a likely shortfall in those years. The Medium Term Financial Plan identifies that a further £1m in savings is needed to be made to bridge the forecast deficit for that year. Savings are being achieved through a combination of efficiency targets, business transformation, reviewing reserve contributions and new income streams. We need to monitor the progress made and revisit the position in relation to this significant risk before forming our VFM conclusion.

Before drawing our conclusion, we have:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2019/20:
 - Revenue and Capital budgets and Medium Term Financial Plan
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Updated our overall risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the general findings from our audit work in other areas.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
45 Church Street
Birmingham
B2 3RT

17 July 2019

Dear Sirs

Chesterfield Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

(CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out in the attached appendix are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Chesterfield Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of Chesterfield Borough Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Chesterfield Borough Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Chesterfield Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, Chesterfield Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Chesterfield Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Chesterfield Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Surridge

For and on behalf of Mazars LLP

45 Church Street
Birmingham
B3 2RT

July 2019

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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Mazars LLP
45 Church Street
Birmingham
B3 2RT

17th July 2019

Dear Mark,

Chesterfield Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer (s151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer (s151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

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

Yours faithfully

Helen Fox
Chief Finance Officer (s151 officer)