Please ask for Brian Offiler
Direct Line: 01246 345229
Email committee.services@chesterfield.gov.uk

The Chair and Members of Standards and Audit Committee

23 September 2015

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on **FRIDAY, 25 SEPTEMBER 2015 at 12.30 pm** in Committee Room 2, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

This meeting is reconvened from the meeting adjourned on 23 September, 2015.

AGENDA

Part 1(Public Information)

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

2. Apologies for Absence

3. Minutes (Pages 3 - 8)

   Minutes of the Meetings of the Standards and Audit Committee held on 24 June and 22 July, 2015.

4. Audit Report on the 2014/15 Statement of Accounts (Pages 9 - 172)

5. Summary of Internal Audit Reports Issued (Pages 173 - 178)

6. Internal Audit Charter (Pages 179 - 190)

7. Treasury Management Report 2014/15 and Monitoring Report 2015/16 (Pages 191 - 206)

8. Local Government Act 1972 - Exclusion of Public

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

9. Appointment of Independent Persons (Pages 207 - 226)

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE MEETING

Wednesday, 24th June, 2015

Present:-

Councillor Diouf (Vice-Chair, in the Chair)

Councillor Derbyshire
Sarvent

Councillor Tidd (Staveley Town Council)

*Matters dealt with under the Delegation Scheme

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

No declarations of interest were received.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Barnett, Caulfield and Rayner.

3 MINUTES

RESOLVED –

That the minutes of the Standards and Audit Committee meeting held on 10 April, 2015 be approved as a true record.

4 ANNUAL AUDIT FEE 2015/16

Lee Towers, Manager, KPMG LLP Audit, presented the Annual Audit Fee Letter for the year 2015/16 confirming the proposed audit work and fee for the 2015/16 financial year.

The fee proposals were based on the Audit Commission's Work Programme and Scales of Fees for 2015/16, which were based on a 25%

reduction from the 2014/15 fees. The report identified the assumptions on which the fee proposals were based.

***RESOLVED -**

That the Annual Audit Fee Letter for 2015/16 be received.

5 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED

The Interim Head of the Internal Consortium presented a report summarising the Internal Audit reports issued for the period 14 March, 2015 to 5 June, 2015 in respect of reports issued relating to the 2014/15 and 2015/16 internal audit plans.

The Committee noted that the only audit with an ‘unsatisfactory’ classification was in respect of Data Protection. The Committee asked that an update be provided by September, particularly in respect of the appointment of a Data Protection Officer.

***RESOLVED –**

(1) That the report be noted.

(2) That progress on the implementation of the audit recommendations in respect of Data Protection be reported to the next meeting of the Committee in September.

6 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2014/15

The Interim Head of the Internal Audit Consortium presented the Internal Audit Consortium Annual Report in respect of Chesterfield Borough Council for 2014/15.

The report covered:

- a summary of work undertaken;
- an opinion on the overall adequacy and effectiveness of the Council’s control environment;
- any issues for inclusion in the Annual Governance statement;

- a comparison of actual work undertaken with planned work;

- comments on compliance with the Public Sector Internal Audit Standards (PSIAS) and other quality assurance results;

- a review of progress against the Internal Audit Improvement Plan;

- confirmation of the organisational independence of internal audit;

- a review of performance of the Internal Audit Consortium against the current Internal Audit Charter.

***RESOLVED –**

That the Internal Audit Consortium Annual Report be noted.

7 ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE

The Corporate Management Team submitted a report to review compliance with the Code of Corporate Governance requirements during 2014/15 and to present the Annual Governance Statement and associated action plan.

The report gave details of:

- The Annual Review of compliance with the Local Code of Corporate Governance requirements for 2014/15 (Appendix 1 to the report);
- The review of assurances supporting the Annual Governance Statement;
- The Action Plan arising from the assessment (Appendix 3 to the report);
- The Annual Governance Statement for the Council, to accompany the Council's Statement of Accounts for 2014/15 (Appendix 2 to the report).

***RESOLVED** -

(1) That the documents listed above be noted.

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

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

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

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

STANDARDS AND AUDIT COMMITTEE MEETING

Wednesday, 22nd July, 2015

Present:-

Councillor Rayner (Chair)

Councillor Alexis Diouf
Sarvent
Derbyshire
Caulfield

Councillor Elaine Tidd (Staveley Town Council)

*Matters dealt with under the Delegation Scheme

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

No declarations of interest were received.

9 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Barnett.

10 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC

RESOLVED –

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

11 APPOINTMENT TO INDEPENDENT REMUNERATION PANEL

The Monitoring Officer submitted a report seeking approval for the appointment of the Independent Remuneration Panel for 2015-19.

The Local Authorities (Members Allowances) (England) Regulations 2003 required the Council to make a scheme of Members' Allowances having regard to the recommendations of the Independent Remuneration Panel.

The most recent panel had been established in 2011. Two of the three members of that Panel, Professor Steve Leach and Mr Tim Nye had agreed to continue to serve on the Panel for an additional term. The other previous member, appointed through the East Midlands Chamber of Commerce, had not wished to continue, and the Chamber had therefore been approached to give their officers opportunity to apply for the role.

An application had subsequently been received from Mr Watterson, from the East Midlands Chamber of Commerce, and he had been interviewed by the Monitoring Officer and the Chair of Standards and Audit Committee.

*** <u>RESOLVED</u> -**

That the following individuals be appointed to the Independent Remuneration Panel for 2015-2019:

- Steven Leach
- Tim Nye
- Andy Watterson.

FOR PUBLICATION

AUDIT REPORT ON THE 2014/15 STATEMENT OF ACCOUNTS

MEETING: STANDARDS & AUDIT COMMITTEE

DATE: 23RD SEPTEMBER 2015

REPORT BY: CHIEF FINANCE OFFICER

WARD: ALL
FORUM ALL

FOR PUBLICATION
BACKGROUND PAPERS: None

1. PURPOSE OF REPORT

1.1 To approve the Statement of Accounts for 2014/15.

1.2 To approve the 'Letter of Representation'.

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

2. BACKGROUND

2.1 The Accounts and Audit Regulations require that:

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

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

2.2 The Cabinet considered the overall outturn report for 2014/15 on the 16th June and a copy of that report is included as **Annexe 2** for information. The Cabinet report provides more of a commentary on the outturn, variances from budgets, level of reserves, etc. The General Fund surplus per this report is £313k which reconciles to the breakeven position in the Statement of Accounts (page 17) as follows:

	£'000
Surplus in the year per 16th June report	**313**
Transfers to earmarked reserves	(313)
Net surplus/(deficit) in the year per SoA	-
General Fund Balance at the end of the year (Movement in Reserves statement page 18)	1,750

The main reasons for the surplus are set out in Appendix B of the 16th June Cabinet report.

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

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

3. AUDITED STATEMENT OF ACCOUNTS 2014/15

3.1 Following the audit of the accounts a small number of presentational adjustments have been made to the original draft of the Statement of Accounts. These changes are not considered by the Auditor to be material and they do not impact on the previously reported level of the Council's balances at the end of March 2015.

3.2 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2014/15.

The key statements are explained below.

3.3 **Movement in Reserves Statement** (SoA page 18) – presents the financial resources available to the authority. The statement differentiates between 'usable' and 'unusable' reserves.

- A **usable reserve** is one that the authority can control and is often held for a specific purpose. Further details of the Usable Reserves of £34.7m at 31st March 2015 (page 18) are provided in

Note 8 (page 43) and Note 40 (page 76). For example, the main elements of the Earmarked General Fund Reserves total of £10.8m include £1.9m capital reserves, £0.3m in the Invest-to-Save Reserve, £1.2m in the Service Improvement Reserve, £0.8m in the Budget Risk Reserve and £1.1m in the Business Rates Reserve.

- **Unusable reserves** generally arise from statutory accounting adjustments and cannot be used to support service delivery. Details of the total unusable reserves of £178.3m at 31st March 2015 are shown in Note 41 (page 77). For example, the Capital Adjustment Account (£239.7m) is a statutory adjustment account reflecting the replacement of depreciation charges with the statutory provision for the repayment of debt and capital financing provisions (see Note 43). The Pension Reserve (negative £74.9m, Notes 41 and 45) reflects the replacement of the estimated cost of pension benefits earned by employees in the year with the employer's contributions payable into the Pension Fund for the year. The Accumulated Absences Account reflects an adjustment to remove these charges from the service account reserves.

3.4 **Comprehensive Income and Expenditure Statement** (SoA page 20) reflects the economic reality or substance of transactions incurred in the delivery of services. The statement therefore includes the estimated cost of pension benefits earned and depreciation charges on assets; both charges which are removed and replaced by statutory charges in the Movements in Reserves Statement as described above. For consistency and comparability between authorities the service analysis is based on a standard form.

3.5 **Balance Sheet** (SoA page 22) – the balance sheet shows the authority's financial position as at the balance sheet date, 31st March. The balance sheet is comprised of two main parts:

- The top part shows the '**Net Assets**' – i.e. the assets that the authority would have control of after settling its liabilities. Long term assets/liabilities are those which have a life beyond the next 12 months e.g. property, long term loans and investments. Current assets/liabilities are likely to be consumed/settled within the next 12 months e.g. stock, debtors, creditors, etc.
  - ⇒ Long term assets, most at current value, are included at £411.6m. The amount by which the current value has increased over the original cost of the asset since 1st April 2007 is reflected in the 'Revaluation Reserve' (Note 42).

- ⇒ Current assets and liabilities represent short-term amounts to be consumed, paid or received in the short-term.
- ⇒ Short Term Provisions include an amount of £1.0m for the Council's share of successful rating appeals for Non Domestic Rates.
- ⇒ Long term borrowing £135.4m represents the money borrowed to finance capital expenditure over many years.
- ⇒ Long Term Provisions £2.4m represents amounts set aside to meet future known liabilities. Independent actuarial reviews of two provisions (i.e. Transport Company Pensions £0.9m and Self-insurance Fund £0.7m) have confirmed that the balances are adequate.
- ⇒ Pensions - shows an estimated liability of £74.9m, which will have to be addressed in future re-assessments of employer contributions and as part of the current national review of the Local Government Pensions scheme.

- The lower section shows the '**Total Reserves**' which represent the value of the 'Net assets'. Reserves are split between 'usable' and 'unusable' as described above in para. 3.3.
  - ⇒ Usable Reserves £34.7m – includes capital reserves (£1.9m), earmarked revenue reserves (£9.0m), General Fund balance (£1.75m) and the HRA balance (£18.0m).

  - ⇒ Unusable Reserves (£178.3m) – these are statutory accounting adjustment accounts which are not available to the authority to finance services. Note 41 provides a breakdown and shows that the Revaluation Reserve increased by £1.8m, the Capital Adjustment Account increased by £4.5m and the negative Pensions Reserve increased by £19.1m.

3.6 **Cash Flow Statement** (SoA page 23) - summarises the inflows and outflows of cash on all the Council's activities.

3.7 **Housing Revenue Account** (SoA page 91) - a 'ring-fenced' account which records the income and expenditure relating to the provision of council housing. There is a statutory requirement for this account to balance. The Council has a policy of maintaining a minimum balance of £3.0m on this account. The account produced a surplus of £5.591m in the year which when added to the balance brought forward gives a balance carried forward of £18.0m. A healthy working balance is required to help finance pressures identified in the medium term business plan, notably the requirement to improve dwellings to the 'Decent Homes Standard'. Other key points to note include:

- The loss of rent due to vacant properties at 1.68% (Note 1), a continuation of the low levels achieved in the previous year;
- The number of dwellings fell to 9,529 by the end of the year, 67 properties were sold under the Right to Buy Scheme (Note 2);
- Rent arrears increased to £2.3m but a provision to cover the possible eventual write-off of £0.9m or 40% of these debts has been made.

3.8 **Collection Fund** (SoA page 97) - this account shows the amounts due from local council taxpayers and how these are distributed to the authorities in the area - £41.8m is collected but only £4.3m (10.52%) is for the Borough Council's services. The account also shows the amounts due from business ratepayers (£35.2m) and how this amount is distributed to other authorities in the area and central government – with only £14.3m (40.0%) for the Borough Council to retain to fund services.

3.9 **Disclosure Notes**
Contingent Liabilities – A contingent liability is generally a possible obligation that arises from past events but where the existence of the obligation is dependent (contingent) on future events not within the control of the authority. A contingent liability is not recognised in the accounting statements but is disclosed by way of a note to the accounts. Note 60 (page 89) gives details of all contingent liabilities.

3.10 **Annual Governance Statement** – as considered by this Committee on 24th June 2015 is included in the SoA (pages 11-16).

4. MANAGEMENT LETTER OF REPRESENTATION

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

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

5. REPORT TO THOSE CHARGED WITH GOVERNANCE

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

6. RECOMMENDATIONS

6.1 That the Committee approves the Statement of Accounts for 2014/15.

6.2 That the Committee approves the Management Letter of Representation.

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

7. REASON FOR RECOMMENDATIONS

7.1 To comply with statutory requirements

B. DAWSON
CHIEF FINANCE OFFICER

CHESTERFIELD
BOROUGH COUNCIL

Statement of Accounts
2014/15

CONTENTS

EXPLANATORY FOREWORD

The purpose of this foreword is to provide a guide to the most significant matters that are reported in the accounts. The pages that follow are the Council's final accounts for 2014/15 and comprise:

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

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

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

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

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

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

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

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

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

CHANGES TO THE STATEMENT OF ACCOUNTS

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

The Code for 2014/15 has introduced very few new requirements from last year. The content and format of the Statement of Accounts therefore remain largely unchanged.

SUMMARY OF THE FINANCIAL YEAR

2014/15 Budget Process

Before the start of the 2014/15 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The major 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 provide around two thirds of the General Fund Budget requirement with the remaining third coming from the Council Tax. The rent income comes from the Council's extensive industrial & commercial property portfolio. All of the income sources were under severe pressure:

- Government grant – a cut of £1.1million in the Revenue Support Grant.
- Retained Business Rates – introduced in 2013/14, the scheme allows the Council to share in the growth of this income from within its area. The estimated cost of backdated valuation appeals, however, has suppressed the potential income growth in the early years of the scheme.
- Fees, charges and rental income were impacted by the recent economic conditions.
- Council Tax – once again the Government exercised control over any increase, firstly by requiring a referendum to be held for an increase of 2% or more, and secondly by offering a grant equivalent to a 1% council tax increase if the tax was frozen.

The Council froze its Council Tax for 2014/15 at £144.89 per annum for a Band 'D' property. The Budget was set at £11.6 million and financed as follows:

	Amount £'000	**Proportion of total**
Government Funding (Revenue Support Grant, retained business rates and other grants)	7,545	65%
Collection Fund Surpluses	64	1%
Council Tax	3,979	34%
Total Budget (after savings target)	11,588	100%

The budget for 2014/15 which was set in February 2014 showed a deficit of £348k before allowing for the planned savings target. A savings target of £591k was set giving an estimated surplus of £244k if all the savings were delivered. The savings were to be delivered through a business transformation programme titled "Great Place:Great Service". The programme aims to deliver savings from a wide range of initiatives including reviews of the workforce, assets, customer service channels and the application of information technology.

Budget Issues Arising During 2014/15

The forecast surplus reduced from £244k at the start of 2014/15 to £40k when revised budgets were approved in February 2015. The most significant budget variances, both increases and decreases, reported at the revised budget stage included:

> Budget Savings - reduced expenditure/increased income:
> Staffing savings £108k
> Business rate refunds £150k
> Income from planning fees £78k
>
> Budget Increases - increased expenditure/reduced income:
> Reprofile of budget savings £391k
> Income from commercial/industrial rents £133k

Revenue Budget Outturn

The position at the end of the year was a surplus of £312k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to the revised forecast surplus of £40k included:

- Increased income from car parking (+£74k);
- Increased income from planning fees (+£52k);
- Reduced costs in Parks/Cemeteries (+£178k);
- Reduced costs in Leisure facilities e.g. Sports Centres & Winding Wheel (+£227k);
  Less:
- Town Centre grants reduced (-£91k);
- ICT upgrades (-£111k);
- Reduced rental income from town centre properties (-£41k);
- Net of all other variances (-£16k).

Set out below is a summary of the outturn for 2014/15 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

Table: 2014/15 General Fund - Comparison of outturn with the original budget

	Original Budget £000	Actual £000	Variance £000
Portfolios:			
Leader & Regeneration	484	**418**	(66)
Deputy Leader & Planning	(1,280)	**(178)**	1,102
Environment	5,268	**4,953**	(315)
Housing	1,194	**1,532**	338
Leisure, Culture & Tourism	3,134	**4,365**	1,231
Governance & Organisational Development	3,472	**2,705**	(767)
Customers & Communities	1,617	**1,652**	35
Portfolio Net Expenditure	13,889	**15,447**	1,558
Transformation Savings*	(612)	**-**	612
Direct Service Organisations (surplus)/deficit	(117)	**(114)**	3
Other - Non-Portfolio Expenditure/(Income)	(122)	**(271)**	(149)
Service Expenditure	13,038	**15,062**	**2,024**
Interest & Capital Charges	(1,846)	**(3,637)**	(1,791)
Transfer to/(from) Reserves	152	**(137)**	(289)
Surplus/(Deficit) to/(from) Business Rate Reserve	244	**312**	68
Total Expenditure	11,588	**11,600**	**12**

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

The General Fund Working Balance was maintained at £1.75m during 2014/15.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 18 and 20 presents this same information but in the format specified by the Code for external reporting purposes. A subjective analysis of this statement forms part of note 54 on page 82.

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,529 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 2014/15 is set out on pages 90 to 96 and shows an increase to the HRA balance of £5,531,573 due mainly to slippage in the capital programme financed from revenue.

Direct Service Organisations

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSO's) during 2014/15.

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

Capital Spending in 2014/15

A summary of the capital expenditure and financing is shown in Note 23 to the core financial statements (page 62).

Capital expenditure on General Fund services totalled £8.2m. The main projects included:

- Queens Park Sports Centre - £4.4m
- Eastwood Park restoration - £0.3m
- Winding Wheel/Theatre improvements - £0.6m
- Chesterfield Gateway Enhancements - £0.5m
- House Renovation, Disabled Facilities and Decent Homes Grants - £1.3m
- Vehicles, Machinery & Information Technology - £0.4m
- Depot refurbishment - £0.4m
- Other - £0.3m

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £2.6m in 2014/15. The remainder was financed from capital receipts (£0.4m), reserves (£0.8m) and unsupported borrowing (£4.4m).

Capital expenditure on Council Housing, aimed particularly at bringing dwellings up to the decent homes standard, was £15.4m of which £7.2m was financed from the Major Repairs Reserve, £2.2m from capital receipts and £6.0m from grants and contributions.

Total long-term debt outstanding at the end of the year amounted to £135.4m. This should be viewed in relation to the Council's assets which have a net book value of £412m.

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

Pension Costs

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£74.9m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities.

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

Reserves & Balances

The Council has maintained its revenue working balances at £1.75m for the General Fund to recognise the increased risks it faces due to the major changes to the system of Local Government finance in April 2013 including Business Rate retention and Localisation of Council Tax support. There is a balance of £18m on the Housing Revenue Account at the year-end.

In addition, the Council has set money aside in a number of earmarked reserves to meet planned future commitments. The earmarked reserves include £0.8m as a provision for significant revenue budget risks, £0.3m in an Invest to Save fund and £1.1m in a Service Improvement Reserve. (page 44).

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates which will be utilised in 2015/16 and 2016/17. The 2014/15 General Fund surplus was transferred to this reserve at the end of the year. The balance on this reserve is £1.1m.

Medium Term Outlook

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

The last published Local Government Grant Settlement covered 2015/16 only. The cut in the Council's Settlement Funding Assessment for 2015/16 was £1.0m or 16%. It is hoped that the Spending Review in the autumn of 2015 and the subsequent Local Government Finance Settlement in December 2015 will give some clarity to the medium term funding outlook for local government.

Towards the end of 2014/15 evidence of growth in income from some of the services the Council provides began to emerge e.g. Planning fees, leisure and culture facilities charges, etc. Income from fees, charges and rents will continue to be actively monitored throughout 2015/16 in order to identify any budget variances at an early stage.

The medium term budget forecast produced in February 2015 showed a savings target of £0.7m in 2015/16 which increases to £2.5m by 2019/20. In order to deliver the required savings, the Council is implementing a transformation programme, under the banner "Great Place:Great Service" (as described above). The GP:GS programme aims to modernise and improve the efficiency of the services that the Council provides. Continuing to delivering significant savings in order to balance the budget continues to be a major challenge and priority for the Council.

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

a) The outcome of the Contingent Liability issues as described in Note 60 (page 89);

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

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

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

Further Information

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

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

B. DAWSON CPFA
CHIEF FINANCE OFFICER

M. RAYNER
CHAIR OF STANDARDS AND AUDIT COMMITTEE

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

<u>The Authority's Responsibilities</u>

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

<u>The Chief Finance Officer's Responsibilities</u>

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

- Selected suitable accounting policies and 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.

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 17 - 100 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 2015.

B.DAWSON 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, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011 4(3) and 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 2015 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

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

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

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

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

Amongst many other achievements during 2014/15 the Council has:-

- Brought all council homes up to the Decent Homes Standard
- Started building the new Queen's Park Sports Centre which is due to open in January 2016
- Completed the Parkside Sheltered Housing Scheme
- Provided some new affordable housing at Chesterfield Waterside
- Gained approval for the Local Plan
- Achieved the Green Flag Award for 4 of our parks
- Refurbished play facilities
- Redeveloped the Market Hall
- Attracted investment
- Invested in the Pomegranate Theatre and the Winding Wheel

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

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

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

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

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking, monitoring budgets and undertaking lean reviews. The council is in the process of developing a benefits optimisation tool that will identify the priority areas for efficiency reviews.

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

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

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

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

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

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

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

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

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

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including the Community Engagement Strategy, the Council's website, the publication of "Your Chesterfield" three times a year and Community Assemblies.

Review of Effectiveness

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

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

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

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

Significant Governance Issues

The following significant governance issues have been identified:

No.	Issue	Action Proposed	Target Date
1.	Implementing actions to address the forecast deficits in 2015/16. Other budget risks such as the continuing impacts of the economic climate on key income streams and investment returns.	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 for the period 2015-2019. This will be achieved through the established mechanisms of the Council's Financial Planning Group, Corporate Management Team/Executive Member Budget workshops` and Risk Management Group, and through the preparation of quarterly monitoring reports to the Council's Cabinet and Scrutiny Forum. Regular dialogue with Regional Trade Union Officials will take place.	01/03/16
2.	The procurement process requires improvement from start to finish, from identifying the procurement need through to the letting and management of the contract. It needs to be ensured that the tendering and letting of contracts is in line with EU Regulations, Financial Regulations and Standing Orders.	The provision of a Procurement Service and the processes followed by managers are currently being reviewed. An options paper in terms of procurement will be presented to Cabinet by September 2015. Corporate procurement training will be arranged by September 2015 and this will ensure that all managers are aware of the requirements of Standing Orders and Financial Regulations and their key role in the procurement process from start to finish.	30/09/15
3.	There is a need to address the Data Protection issues identified in the May 2015 Internal Audit Report	The report and recommendations have been agreed and a timetable for implementing the recommendations is in the process of being developed.	30/12/15

4.	IT performance/PSN compliance and Security issues	An Executive Director is leading on this review and the implementation of recommendations. There is a full timetable in place for meeting PSN requirements. A wider information security piece of work is also taking place. An ICT infrastructure review is ongoing.	 30/06/15 30/09/15 31/03/16

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

Signed:

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

Date:

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

The 'Adjustment between the Accounting basis and Funding basis under Regulations' line converts the economic cost to the statutory accounting requirement.

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

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserve £000	Housing Revenue Account £000	Earmarked Housing Revenue Account Reserve £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31st March 2013	**1,750**	**8,774**	**8,276**	**184**	**205**	**-**	**1,116**	**20,305**	**153,631**	**173,936**
Movement in reserves during 2013/14										
Surplus/ (deficit) on provision of services	8,808	133	21,725	-	-	-	-	30,666	-	30,666
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	14,265	14,265
Total Comprehensive Income & Expenditure	**8,808**	**133**	**21,725**	**-**	**-**	**-**	**-**	**30,666**	**14,265**	**44,931**
Adjustments between accounting basis & funding basis under regulations (note 7)	(7,758)	(21)	(17,394)	-	197	66	124	(24,786)	24,786	-
Net Increase / Decrease before transfer to Earmarked Reserves	**1,050**	**112**	**4,331**	**-**	**197**	**66**	**124**	**5,880**	**39,051**	**44,931**
Transfer to/from Earmarked Reserves	(1,050)	1,049	(112)	112	27	-	-	26	(26)	-
Increase / Decrease in 2013/14	**-**	**1,161**	**4,219**	**112**	**224**	**66**	**124**	**5,906**	**39,025**	**44,931**
Balance at 31st March 2014 carried forward (notes 8, 40 & 41)	**1,750**	**9,935**	**12,495**	**296**	**429**	**66**	**1,240**	**26,211**	**192,656**	**218,867**
Movement in reserves during 2014/15										
Surplus/ (deficit) on provision of services	643	(20)	7,579	-	-	-	-	8,202	-	8,202
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(14,047)	(14,047)
Total Comprehensive Income & Expenditure	**643**	**(20)**	**7,579**	**-**	**-**	**-**	**-**	**8,202**	**(14,047)**	**(5,845)**
Adjustments between accounting basis & funding basis under regulations (note 7)	277	(12)	(1,988)	-	225	2,213	(491)	224	(224)	-
Net Increase / Decrease before transfer to Earmarked Reserves	**920**	**(32)**	**5,591**	**-**	**225**	**2,213**	**(491)**	**8,426**	**(14,271)**	**(5,845)**
Transfer to/from Earmarked Reserves	(920)	926	(60)	60	46	-	-	52	(52)	-
Increase / Decrease in 2014/15	**-**	**894**	**5,531**	**60**	**271**	**2,213**	**(491)**	**8,478**	**(14,323)**	**(5,845)**
Balance at 31st March 2015 carried forward (notes 8, 40 & 41)	**1,750**	**10,829**	**18,026**	**356**	**700**	**2,279**	**749**	**34,689**	**178,333**	**213,022**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

The Statement has two sections.

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

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

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14				2014/15		
Expenditure £000	**Income £000**	**Net Expenditure £000**		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
2,214	(898)	**1,316**	Central Services to the Public	2,326	(1,095)	**1,231**
11,061	(4,633)	**6,428**	Cultural	11,298	(4,634)	**6,664**
7,843	(4,165)	**3,678**	Environmental	8,021	(4,484)	**3,537**
6,834	(5,150)	**1,684**	Planning	6,644	(5,079)	**1,565**
2,700	(3,115)	**(415)**	Highways & Transport	2,401	(3,096)	**(695)**
38,844	(37,785)	**1,059**	Other Housing Services	40,330	(38,852)	**1,478**
8,316	(7,380)	**936**	Corporate & Democratic	10,305	(7,486)	**2,819**
314	-	**314**	Non-Distributed Costs	69	-	**69**
78,126	(63,126)	**15,000**	**COST OF GENERAL FUND SERVICES**	81,394	(64,726)	**16,668**
13,027	(37,264)	**(24,237)**	Local Authority Housing (HRA)	25,757	(39,260)	**(13,503)**
91,153	(100,390)	**(9,237)**	**COST OF SERVICES**	107,151	(103,986)	**3,165**
2,103	-	**2,103**	Other operating expenditure (Note 9)	2,249	-	**2,249**
(1,836)	(5,059)	**(6,895)**	Financing and investment income & expenditure (note 10)	9,934	(5,208)	**4,726**
-	(16,637)	**(16,637)**	Taxation and non-specific grant income (Note 11)	-	(18,342)	**(18,342)**
		(30,666)	**(Surplus)/Deficit on Provision of Services**			**(8,202)**
		(1,392)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			**(2,322)**
		-	(Surplus)/deficit on revaluation of available for sale financial assets			**-**
		(12,873)	Actuarial (gains)/losses on pension liabilities			**16,369**
		-	Other			**-**
		(14,265)	**Other Comprehensive Income & Expenditure**			**14,047**
		(44,931)	**Total Comprehensive Income & Expenditure**			**5,845**

BALANCE SHEET

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

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

BALANCE SHEET AS AT 31ST MARCH 2015

2013/14 £000		2014/15 £000	Notes
265,915	Council Dwellings	**269,689**	)
58,361	Other Land & Buildings	**58,096**	)
553	Vehicles, Plant, Furniture & Equipment	**498**	)19,22,
3,400	Infrastructure Assets	**3,395**	)23,25
4,072	Community Assets	**4,072**	)
1,596	Assets Under Construction	**6,487**	)
1,246	Surplus Assets Not Held for Sale	**1,108**	)
335,143	**Property, Plant & Equipment**	**343,345**	
2,204	Heritage Assets	**2,505**	20
59,336	Investment Properties	**59,536**	24
236	Intangible Assets	**356**	21
4,410	Long Term Investments	**4,516**	
1,282	Long Term Debtors	**1,316**	28
402,611	**Long Term Assets**	**411,574**	
149	Assets Held for Sale - Property, Plant & Equipment	**182**	33
2,046	Assets Held for Sale - Investment Properties	**375**	33
19,573	Short Term Investments	**22,670**	
317	Inventories	**316**	30
7,718	Short Term Debtors	**8,722**	31
477	Cash & Cash Equivalents	**976**	32
30,280	**Current Assets**	**33,241**	
(6,930)	Short Term Borrowing	**(4,896)**	
(10,034)	Short Term Creditors	**(9,702)**	34
(989)	Short Term Provisions	**(1,351)**	35
(60)	Cash Overdrawn	**(2,713)**	32
(18,013)	**Current Liabilities**	**(18,662)**	
(138,296)	Long Term Borrowing	**(135,409)**	
(1,462)	Long Term Provisions	**(2,417)**	35
(55,791)	Net Pension Scheme Liabilities	**(74,921)**	15 & 57
(132)	Other Long Term Liabilities	**(79)**	
(330)	Capital Grants Receipts in Advance	**(306)**	
(196,011)	**Long Term Liabilities**	**(213,132)**	
218,867	**Net Assets**	**213,021**	
26,211	Usable Reserves	**34,689**	8,40
192,656	Unusable Reserves	**178,332**	41-48
218,867	**Total Reserves**	**213,021**	

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

2013/14 £000		2014/15 £000
(30,666)	Net (surplus)/deficit on provision of services	**(8,202)**
9,937	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 49)	**(19,591)**
7,797	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 50)	**12,621**
(12,932)	Net cash flows from Operating Activities (Note 51)	**(15,172)**
10,249	Investing Activities (Note 52)	**11,817**
2,783	Financing Activities (Note 53)	**5,509**
100	**Net increase/decrease in cash and cash equivalents**	**2,154**
(517)	Cash and cash equivalents at beginning of reporting period	**(417)**
(417)	**Cash and cash equivalents at end of reporting period (Note 32)**	**1,737**

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 2014/15 financial year and its position at the year end 31st March 2015.

The Accounts and Audit Regulations 2011 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

1.2 ACCRUALS OF EXPENDITURE & INCOME

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

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

A further exception relates to wages. Only 52 weeks wages are included each year which means that the accounts do not include 1 days pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2014/15 is a 52 week year for weekly payroll costs.

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

1.3 CASH & CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are any other instrument repayable within a 24 hour period.

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

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

1.4 INTERNAL INTEREST

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

1.5 OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received.

The exception to this is:

- Corporate & Democratic Core (costs relating to the Authority's status as a multi-functional, democratic organisation)
- Non-Distributed Costs e.g. past service costs re pensions

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

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

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

Termination Benefits

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

- Net interest on the net defined benefit liability (i.e. net interest expense for the Authority) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments

- Remeasurements comprising:

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

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

- Contributions paid to Derbyshire County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

1.7 VALUE ADDED TAX

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

1.8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

1.9 INVENTORIES

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

1.10 RESERVES

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

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

1.11 PROVISIONS

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 68).

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

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

1.12 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. These properties are not depreciated but are revalued annually according to market conditions at the year end and any gains or losses on revaluation, or disposal, are included in the Financing & Investment Income line in the Comprehensive Income and Expenditure Statement. These are subsequently reversed out of the General Fund Balance in the Movement of Reserves Statement and transferred to the Capital Adjustment Account.

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

1.13 PROPERTY, PLANT & EQUIPMENT

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure is capitalised, provided that the asset yields benefits to the authority and the services it provides. This excludes expenditure on routine repairs and maintenance which is charged direct to service revenue accounts. Capital expenditure below £25,000 on land and property assets and below £10,000 on vehicles, plant and equipment is classed as de-minimis.

Assets are initially measured at cost. The cost of assets other than by purchase is deemed to be its fair value. This is the amount that would be received on disposing of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Donated assets are measured initially at fair value. The difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income & Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal inception. Gains before that date have been consolidated into the Capital Adjustment Account.

<u>Intangible Assets</u>

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

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

Non-current Assets Held for Sale

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Disposals

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

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

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

1.14 DEPRECIATION & IMPAIRMENT

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

Depreciation charges are calculated as follows:

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

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

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

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

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

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

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

Impairment – The value of assets are reviewed at the end of each year for evidence of reductions in value. Where impairment is identified and possible losses are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised and accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount is written down against that balance (up to the amount of accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

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

1.15 <u>HERITAGE ASSETS</u>

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

Historic Sites & Buildings

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

War Memorials/Other Monuments

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

Percent For Art

Current planning policy requires developers to include a work of art to the value of 1% of total project cost on the site. It is considered impractical to obtain reliable information on cost for most of the asset base in this class due to the difficulty of obtaining information from third parties or the difficulty of separating costs relating to artwork from other capital costs. These assets are not insured and it is considered impractical to obtain valuation information due to lack of comparable transactions and the diversity of the assets themselves. Therefore no existing assets in this class as at 1st April 2010 have been recognised on the balance sheet. Assets acquired in future will be measured at historical cost.

Rosewall Sculpture

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

Mayoral Regalia and Civic Plate, Paintings and Porcelain

These two classes of asset are recognised on the balance sheet at valuation.

Museum Collection

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

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

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

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets used in the provision of services during the year.

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

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

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

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1.18 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

- the grants or contributions will be received

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

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

1.19 LEASES

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

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

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

Finance Leases

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

Operating Leases

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

The Authority as Lessor

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

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

1.20 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- Assets at Fair Value through Profit or Loss – assets that are held for trading

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

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

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

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

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

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

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

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

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

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

1.21 INTEREST IN COMPANIES AND OTHER ENTITIES

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

There were no group accounts identified for 2014/15.

1.22 JOINTLY CONTROLLED OPERATIONS

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

The Council has a joint operation with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. The Council recognises on its balance sheet, its share of the assets that it controls and liabilities incurred and its share of the expenditure and income earned from the operation on its Comprehensive Income & Expenditure Statement. Note 57 on page 86 provide further details.

1.23 CONTINGENT ASSETS/LIABILITIES

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

1.24 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable and relevant information on the Authority's financial position. Any change is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.25 INVESTMENTS

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

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 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

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

The Code of Practice on Local Authority Accounting for 2015/16 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 following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Council from 1st April 2015.

IFRS 13 Fair Value Measurement – this standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change this will make, is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value. This standard is not expected to have a material impact on the Statement of Accounts due to the low value of surplus assets on the balance sheet.

IFRIC 21 Levies – this standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. It clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This standard will not have a material impact on the Statement of Accounts.

In addition there have been a number of minor changes to existing accounting standards:

IFRS 8 Operating Segments – this will require the council to disclose the factors used to identify the Council's reportable segments. This will require an additional disclosure in the 2015/16 accounting policies.

IAS 16 Property, Plant & Equipment – this amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact for the Council.

The Code requires implementation from 1st April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Balance Sheet at 31st March 2015, 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 2014/15, the actuaries advised that the net pensions liability had reduced by £1.574m because of estimates being corrected as a result of experience and increased by £17.905m attributable to updating their assumptions.
Arrears	At 31st March 2015, the Authority had a balance of sundry debtors of £4.1m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.7m 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 £41k 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 £796k for every year that useful lives had to be reduced.

A further source of uncertainty has arisen due to the introduction of the Business Rates Retention Scheme from 1st April 2014. Local Authorities are now liable for a proportion of successful appeals against business rates 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 £15.4m in 2014/15. This spending is aimed at bringing dwellings up to the decent homes standard. It is anticipated that this level of investment will continue into future years.

6. EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts was authorised for issue on 30/06/2015 by the Chief Finance Officer, Barry Dawson CPFA. This is also the date up to which events after 31st March 2015 have been considered.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

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

	Usable Reserves					
2014/15	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						
Depreciation, impairment & revaluation losses of non-current assets	2,762	8,232				(10,994)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,252	4,376				(5,628)
Movement in market value of Investment Properties	702	(166)				(536)
Amortisation of intangible assets	21					(21)
Capital grants & contributions applied	(8,184)				(491)	8,675
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	(384)					384
Capital expenditure charged against General Fund and HRA balances	(551)					551
Voluntary Repayment of Debt		(2,108)				2,108
Adjustments primarily involving Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,561)			3,561
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	831		(831)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(1,348)	(3,269)	4,617			
Adjustment primarily involving Major Repairs Reserve:						
HRA depreciation & impairment		(7,183)		7,183		
Excess of Major Repairs Allowance Over HRA depreciation		(2,266)		2,266		
Use of Major Repairs Reserve to finance new capital expenditure				(7,236)		7,236
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(1)					1
Adjustments primarily involving Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	6,441	392				(6,833)
Employers contributions payable to						

Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,073)					4,073
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	1,443					(1,443)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(9)	4				5
Total Adjustments	265	(1,988)	225	2,213	(491)	(224)

	Usable Reserves					
2013/14	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						
Depreciation, impairment & revaluation losses of non-current assets	2,558	(4,063)				1,505
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,104	3,274				(4,378)
Movement in market value of Investment Properties	(9,073)	(3,313)				12,386
Amortisation of intangible assets	10					(10)
Capital grants & contributions applied	(4,989)				124	4,865
Donated Assets	(30)					30
Revenue expenditure funded from capital under statute	824					(824)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(317)					317
Capital expenditure charged against General Fund and HRA balances	(820)	(35)				855
Voluntary Repayment of Debt		(2,139)				2,139
Adjustments primarily involving Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure			(1,775)			1,775
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	760		(760)			

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

8. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance 1/4/2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance 31/03/2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance 31/03/2015 £000
General Fund							
Vehicles & Plant	873	362	(168)	1,067	349	(205)	1,211
Information Technology	51	146	(151)	46	173	(219)	-
Crematorium							
Mercury Abatement	63	50	-	113	55	-	168
Capital Improvements	144	91	(21)	214	273	(13)	474
Capital Reserves	1,131	649	(340)	1,440	850	(437)	1,853
General Fund							
Invest to Save	775	-	(382)	393	-	(107)	286
Budget Risk Reserve	610	606	(216)	1,000	23	(243)	780
Service Improvement	1,487	8	(319)	1,176	25	(48)	1,153
Property Improvement	512	1,487	(1,357)	642	1,419	(1,344)	717
Insurance	177	393	(3)	567	-	-	567
Tenants Property	628	235	(269)	594	278	(201)	671
Tapton Innovation Centre	196	26	(21)	201	26	(2)	225
DSO/DLO Reserve	745	218	(272)	691	260	(377)	574
Community Forums	100	-	(100)	-	-	-	-
Planning Inquiry	223	76	(58)	241	19	-	260
Flood Restoration	82	-	-	82	-	-	82
Asset Management	44	-	-	44	-	-	44
Waterside – Affordable Homes	208	-	-	208	-	(208)	-
Elections Equipment	2	-	-	2	-	-	2
Working Neighbourhoods	327	-	(103)	224	-	(106)	118
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	19	42	(19)	42	11	(42)	11
Risk Management Fund	23	5	(18)	10	5	(10)	5
S106	386	135	(159)	362	22	(54)	330
Revenue Grants Unapplied	876	628	(777)	727	580	(530)	777
MMI Insurance Reserve	-	503	-	503	-	-	503
Barrow Hill Bridge	-	-	-	-	40		40
Business Rates	-	238	-	238	884	-	1,122
Repaid Improvement Grants	-	76	-	76	100	(1)	175
Zurich Insurance Risk Reserve	-	10	-	10	5	(10)	5
Building Control	-	50	-	50	41	(16)	75
Great Place:Great Service	-	50	-	50	82	(27)	105
Crematorium							
Crematorium Balance	189	162	(50)	301	22	(55)	268
Cremator Repairs	-	33	(9)	24	19	(3)	40
Crematorium Equipment	6	3	-	9	3	-	12
Organ Reserve	2	-	-	2	1	-	3
Revenue Reserves	7,642	4,984	(4,132)	8,494	3,865	(3,384)	8,975
Total Earmarked Reserves	8,773	5,633	(4,472)	9,934	4,715	(3,821)	10,828
General Fund Working Balance	1,750	-	-	1,750	-	-	1,750
HRA							
Housing Revenue Account Balance	8,276	4,288	(69)	12,495	5,531	-	18,026
Major Repairs Reserve (HRA)	-	9,148	(9,082)	66	9,449	(7,236)	2,279
Revenue Grants Unapplied	184	112	-	296	96	(36)	356
Total HRA Reserves	8,460	13,548	(9,151)	12,857	15,076	(7,272)	20,661

9. OTHER OPERATING EXPENDITURE

	2014/15 £000	2013/14 £000
Parish council precepts	**340**	306
Payments to Housing Capital Receipts Pool	**831**	761
(Gains)/losses on disposal of non-current assets	**1,018**	968
Other	**60**	68
TOTAL	**2,249**	2,103

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £000	2013/14 £000
Interest payable & similar charges	**5,581**	5,760
Net interest on net defined benefit liability	**2,404**	2,770
Interest and Investment Income	**(372)**	(173)
Income and expenditure in relation to Investment Properties	**(2,943)**	(2,829)
(Gain)/loss on disposal of Investment Properties	**-**	677
Changes in fair value of Investment Properties	**536**	(12,386)
(Gain)/loss on trading accounts	**(480)**	(714)
TOTAL	**4,726**	(6,895)

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2014/15 £000	2013/14 £000
Council tax income	**(4,375)**	(4,300)
Business Rates income & expenditure	**(2,042)**	(2,552)
Non-ringfenced government grants	**(4,712)**	(5,333)
Capital grants and contributions	**(7,213)**	(4,422)
Donated assets	**-**	(30)
TOTAL	**(18,342)**	(16,637)

12. OTHER TRADING UNDERTAKINGS

In 2014/15, 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.

	2014/15			2013/14
	Gross Expenditure £000	**Income £000**	**(Surplus)/ Deficit £000**	**(Surplus)/ Deficit £000**
Markets	1,011	(1,244)	**(233)**	(75)
Trade Refuse	460	(551)	**(91)**	(111)
Industrial Units	1,093	(2,666)	**(1,573)**	(1,239)
Town Centre shops	3,678	(3,662)	**16**	(1,239)
	6,242	(8,123)	**(1,881)**	(2,664)

Markets – this includes the two open markets, car boot sales and the Market Hall – the trading objective is to at least break even.

Trade Refuse – this service is open to all businesses operating in the borough – the trading objective is to at least break even.

Industrial/Commercial Units – the authority lets 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.

13. OFFICERS REMUNERATION

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

Remuneration Band	No. of Employees 2014/15	No. of Employees 2013/14
£50,000 - £54,999	**3**	1
£55,000 - £59,999	**1**	1
£60,000 - £64,999	**-**	1
£65,000 - £69,999	**2**	5
£70,000 - £74,999	**2**	-
£75,000 - £79,999	**-**	-
£80,000 - £84,999	**-**	-
£85,000 - £89,999	**-**	-
£90,000 - £94,999	**-**	-
£95,000 - £99,999	**-**	-
£100,000 - £104,999	**-**	1
£105,000 - £109,999	**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.

2014/15 Post title	Salary (incl fees & allowances) £	Expense Allowances £	Benefits in Kind (e.g car allowance) £	Compensation for loss of Employment £	Total Remuneration excluding pension contributions 2014/15 £	Pension Contributions £	Total Remuneration incl pension contributions 2014/15 £
Chief Executive	104,626	-	718	-	105,344	13,794	119,138
Executive Director (a)	32,064	-	-	-	32,064	4,232	36,296
Executive Director (b)	20,743	-	-	-	20,743	2,738	23,481
Head of Regeneration (c)	33,893	-	130	40,826	74,849	4,275	79,124
Head of Environment (d)	18,659	-	20	48,254	66,933	2,301	69,234
Chief Finance Officer (e)	66,137	-	101	-	66,238	8,689	74,927
Head of Governance (f)	25,862	-	-	19,016	44,878	2,417	47,295
Head of Business Transformation (g)	41,119	-	109	29,520	70,748	5,428	76,176
Housing Manager(Customer Services) (h)	34,970	25	390	-	35,385	4,547	39,932
Housing Manager Operational Services) (h)	34,595	-	-	-	34,595	4,547	39,142
Housing Business Planning & Strategy Manager (h)	34,439	-	-	-	34,439	4,519	38,958
Total	**447,107**	**25**	**1,468**	**137,616**	**586,216**	**57,487**	**643,703**

(a) The Executive Director commenced in this new role from 17/11/14.
(b) The Executive Director commenced in this new role from 5/1/15.

(c) The Head of Regeneration left 28/9/14 following a restructure of the Senior Management Team.
(d) The job title of the Head of Finance changed to Chief Finance Officer from 1/7/14.
(e) The Head of Environment left 6/7/14 following a restructure of the Senior Management Team.
(f) The Head of Governance left 11/7/14 following a restructure of the Senior Management Team.
(g) The Head of Business Transformation left 16/11/14 following a restructure of the Senior Management Team
(h) From 15/11/14, these posts no longer form part of the Senior Management Team

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

(a) The Head of Housing left 22/7/13.
(b) The Head of Housing was not replaced. From 23/7/13, three senior housing managers now report directly to the Chief Executive.

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	
	2014/15	2013/14	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15**	2013/14
							£000	£000
£0 - £20,000	5	3	7	7	12	10	145	71
£20,001 - £40,000	1	1	1	-	2	1	53	27
£40,001 - £60,000	2	-	-	-	2	-	89	-
Total	**8**	**4**	**8**	**7**	**16**	**11**	**287**	**98**

14. AGENCY SERVICES

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

Total expenditure in 2014/15 was £253,747 (£253,716 in 2013/14).

15. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

The Derbyshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Derbyshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable to the pension fund in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:-

Transactions Relating to Retirement Benefits		
Comprehensive Income & Expenditure Statement	**2014/15 £000**	2013/14 £000
Cost of Services		
Service cost comprising:		
• Current service cost	**4,564**	3,622
• Past service costs	**46**	291
Financing & Investment Income and Expenditure		
• Net interest expense	**2,404**	2,770
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	**7,014**	6,683
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	**(9,941)**	173
• Actuarial gains and losses arising on changes in demographic assumptions	**-**	(1,929)
• Actuarial gains and losses arising on changes in financial assumptions	**27,896**	548
• Other	**(1,585)**	(11,665)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**23,384**	(6,190)

Movement in Reserves Statement		
• Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code	**(7,014)**	(6,683)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	**4,254**	4,122

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:

	2014/15 £000	2013/14 £000
Present value of defined benefit obligation	**218,404**	185,838
Fair value of plan assets	**(143,852)**	(130,372)
Net liability arising from defined benefit obligation	**74,552**	55,466

Reconciliation of Movements in the Fair Value of Scheme Assets

	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	**130,372**	126,243
Interest income	**5,560**	5,278
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	**9,888**	(163)
Contribution from employer	**4,225**	4,105
Contributions from employees into the scheme	**1,065**	992
Benefits paid	**(7,258)**	(6,083)
Closing fair value of scheme assets	**143,852**	130,372

Reconciliation of Present Value of Scheme Liabilities

	2014/15 £000	2013/14 £000
Opening balance at 1st April	**185,838**	192,057
Current service cost	**4,543**	3,607
Interest cost	**7,951**	8,036
Contribution from scheme participants	**1,065**	992
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	**-**	(1,937)
• Actuarial gains/losses arising from changes in financial assumptions	**27,793**	539
• Other	**(1,574)**	(11,664)
Past service cost	**46**	291
Benefits paid	**(7,258)**	(6,083)
Closing balance at 31st March	**218,404**	185,838

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2014/15				2013/14			
	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	-	9,128	**9,128**	6%	7,235	-	7,235	6%
Equity Securities								
• Consumer	11,392	-	**11,392**	8%	11,242	-	11,242	9%
• Manufacturing	14,417	-	**14,417**	10%	18,469	-	18,469	14%
• Energy & utilities	10,502	-	**10,502**	7%	11,634	-	11,634	9%
• Financial institutions	11,178	-	**11,178**	8%	22,657	-	22,657	17%
• Health and care	6,433	-	**6,433**	4%	6,932	-	6,932	5%
• Information technology	2,893	-	**2,893**	2%	3,633	-	3,633	3%
• Other	14,391	-	**14,391**	10%	1,913	-	1,913	1%
Sub-total Equity	71,206	-	**71,206**	49%	76,480	-	76,480	58%
Debt Securities								
• Corporate	-	6,948	**6,948**	5%	647	-	647	0.5%
• UK Government	17,550	-	**17,550**	12%	16,192	-	16,192	12%
• Other	3,809	-	**3,809**	3%	3,793	-	3,793	3%
Sub-total Debt	21,359	6,948	**28,307**	20%	20,632	-	20,632	15.5%
Property								
• UK Property	-	6,977	**6,977**	5%	3,860	2,268	6,128	5%
Private Equity								
• All	703	367	**1,070**	1%	640	365	1,005	1%
Investment Funds & Unit Trusts								
• Equities	25,142	871	**26,013**	18%	14,202	266	14,468	11%
• Bonds	-	-	**-**	-	-	3,851	3,851	3%
• Infrastructure	400	751	**1,151**	1%	-	573	573	0.5%
Sub-total Investment Funds & Unit Trusts	25,542	1,622	**27,164**	19%	14,202	4,690	18,892	14.5%
Total Assets	**118,810**	**25,042**	**143,852**	100%	123,049	7,323	130,372	100%

Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary are:

	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	**22.0**	22.0
• Women	**24.2**	24.2
Longevity at 65 for future pensioners		
• Men	**24.1**	24.1
• Women	**26.6**	26.6
Rate of inflation	**2.4%**	2.8%
Rate of increase in salaries	**3.3%**	3.6%
Rate of increase in pensions	**2.4%**	2.8%
Rate for discounting scheme liabilities	**3.2%**	4.3%
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%	21,847
1 year increase in member life expectancy	3%	6,552
0.5% increase in Salary Increase Rate	3%	6,731
0.5% increase in Pension Increase Rate	7%	14,712

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 on 31st March 2016.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2015/16 is £4.304m.

The weighted average duration of the defined benefit obligation for scheme members is 22.7 years for active and deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 14/15 is 17.4 years.

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

16. MEMBERS' ALLOWANCES

The allowances and expenses paid to Members were as follows:

	2014/15 £000	2013/14 £000
Special Responsibility & Other Allowances	**132**	131
Basic Responsibility Allowances	**212**	211
Members expenses	**5**	8
TOTAL	**349**	350

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

17. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15.

	2014/15 £000	2013/14 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	**3,355**	4,430
Council Tax Freeze Grant	**48**	-
New Homes Bonus Grant	**462**	376
Sport England	**150**	-
Homes & Communities Agency	**6,000**	2,300
Heritage Lottery Fund	**216**	342
Dept Communities & Local Government: -		
• Small Business Rate Relief	**796**	503
• Other	**51**	23
S106 contributions	**288**	230
ERDF	**328**	1,396
Arts Council	**436**	33
Other	**44**	120
TOTAL	**12,174**	9,753

Credited to Services:		
Capital		
Dept Communities & Local Government - Housing	**460**	447
Dept of Energy & Climate Change	**-**	127
Environment Agency	**29**	43
Other	**8**	3
Revenue		
Dept for Work & Pensions – Housing Benefits	**37,794**	37,316
Dept Communities & Local Government	**563**	314
Arts Council	**-**	10
Lottery Fund	**24**	172
Other Government Grants	**92**	33
Derbyshire County Council:		
- Supporting people	**535**	508
- Highways agency	**254**	254
- Other	**206**	152
Other Local Authorities	**16**	21
Primary Care Trust	**16**	16
S106 Contributions	**41**	100
TOTAL	**40,038**	39,516

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:

	2014/15 £000	2013/14 £000
Capital Grants Receipts in Advance		
Environment Agency	**287**	316
Derbyshire County Council	**4**	4
S106 Contributions	**18**	10
Other	**(3)**	-
TOTAL	**306**	330

18. EXTERNAL AUDIT COSTS

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

	2014/15 £'000	2013/14 £'000
Audit of Accounts	**69**	69
Certification of Grant Claims	**9**	4
Total	**78**	73

19. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

Movements in 2014/15	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	**265,915**	**62,097**	**2,448**	**5,835**	**4,072**	**1,249**	**1,596**	**343,212**
Additions	14,279	256	78	226			6,790	**21,629**
Revals - Reval'n Res	1,511	588						**2,099**
Revals - surplus/deficit on provision of services	(7,916)	221						**(7,695)**
Derecog'n - disposals	(2,197)							**(2,197)**
Derecog'n - other	(2,330)	(107)						**(2,437)**
Reclassified to/from Held For Sale	(23)	(412)						**(435)**
Other movements	450	1,580	29			(141)	(1,899)	**19**
GBV at 31 March 15	**269,689**	**64,223**	**2,555**	**6,061**	**4,072**	**1,108**	**6,487**	**354,195**
Accumulated Depreciation & Impairment:								
Brought forward 1 April	**-**	**(3,736)**	**(1,895)**	**(2,435)**	**-**	**(3)**	**-**	**(8,069)**
Additions - depreciation	(7,072)	(2,797)	(162)	(231)		(1)		**(10,263)**
Additions - impairment								**-**
Revals - Reval'n Res		259						**259**
Revals - surplus/deficit on provision of services	6,867	42						**6,909**
Derecog'n - disposals	86							**86**
Derecog'n - other	148	43						**191**
Reclassified to/from Held For Sale	1	55						**56**
Other movements	(30)	7				4		**(19)**
Depreciation & Impairment at 31 March 15	**-**	**(6,127)**	**(2,057)**	**(2,666)**	**-**	**-**	**-**	**(10,850)**
Net Book Value B/fwd	**265,915**	**58,361**	**553**	**3,400**	**4,072**	**1,246**	**1,596**	**335,143**
Net Book Value at 31 March 15	**269,689**	**58,096**	**498**	**3,395**	**4,072**	**1,108**	**6,487**	**343,345**

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

Depreciation

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

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

20. HERITAGE ASSETS

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

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

Asset Class	Balance B/F at 01/04/14 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/03/15 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	320			(2)			318
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	155						155
Mayoral Regalia	132						132
Assets Carried at Valuation	**1,822**			**(2)**			**1,820**
Barrow Hill Railway HC	344						344
War Memorials etc.	38						38
Museum Collection	-						-
Percent for Art Sculptures	-	303					303
Assets Carried at Cost	**382**	**303**					**685**
TOTAL HERITAGE ASSETS	**2,204**	**303**		**(2)**			**2,505**

Historic Sites & Buildings

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

Rosewall Sculpture

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

Mayoral Regalia

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

Civic Plate, Paintings & Porcelain

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

Museum Collection

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

Assets not included in the Balance Sheet

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

Percent for Art – The Council supports the promotion of public art as good planning practice which brings cultural, environmental and economic benefit to local communities. Current planning policy requires developers of schemes costing more than £1m to include a work of art to the value of 1% of the total project cost on their development. The Council keeps a register of sculptures owned and maintained by it in the Forward Planning Section. The 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 £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 acquisition and disposal policy is available from the Museum Curator and is reviewed every 5 years. The next review will take place in 2015.

Assets included in the Balance Sheet

Historic Buildings

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

War Memorials/Monuments

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

Rosewall Sculpture

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

Mayoral Regalia/Civic Plate, Paintings & Porcelain

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

Museum Collection

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

Five Year Summary of Transactions

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Assets Carried at Valuation					
Cost of acquisitions	-	-	-	-	-
Fair value of donations	-	-	-	-	-
Disposals – carrying amount	-	-	-	-	-
Disposals – sale proceeds	-	-	-	-	-
Impairment losses	-	-	-	-	-
Assets Carried at Cost					
Cost of acquisitions	-	-	-	-	303
Fair value of donations	-	-	-	-	-
Disposals – carrying amount	-	-	-	-	-
Disposals – sale proceeds	-	-	-	-	-
Impairment losses	-	-	-	-	-

21. MOVEMENTS IN INTANGIBLE ASSETS

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

Purchased Software Licences	**2014/15 £000**	**2013/14 £000**
Net Carrying Amount:		
Brought forward 1 April	**236**	132
Additions	**141**	114
Disposals	**-**	-
Amortisation for the period	**(21)**	(10)
Carried forward 31 March	**356**	236

For 2014/15, total amortisation charges of £21k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

Analysis of Amortisation Charges	**2014/15 £000**
Corporate and Democratic	**21**
Total	**21**

22. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2016/17 amounting to approximately £63m of which approximately £8.7m was contractually committed at 31st March 2015.

	Approved Expenditure £000	Committed £000
Council Housing	46,996	1,447
Renovation Grants	1,642	101
Leisure	6,430	6,430
Planning & Property	2,093	372
Other Schemes	6,336	386
	63,497	8,736

23. CAPITAL EXPENDITURE & FINANCING

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

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement (CFR) 1st April	**151,199**	151,037
Capital Investment		
Property, Plant and Equipment	**21,629**	14,333
Investment Properties	**(11)**	3,925
Intangible Assets	**141**	114
Heritage Assets	**303**	-
Revenue Expenditure Funded from Capital under Statute	**1,363**	824
Financed by		
Capital Receipts	**(2,550)**	(1,775)
Capital Grants & Contributions	**(8,675)**	(4,865)
Revenue Balances & Direct Revenue Financing	**(7,788)**	(9,936)
Minimum / Voluntary Revenue Provision	**(2,492)**	(2,458)
Use of Capital Receipts to Repay Debt	**(1,011)**	-
Closing Capital Financing Requirement 31st March	**152,108**	151,199
Increase/(Decrease) in CFR	**909**	162
Analysis of Increase/(Decrease) in CFR		
Supported by Government Financial Assistance	**-**	-
Unsupported by Government Financial Assistance	**909**	162
Increase/(Decrease) in CFR	**909**	162

24. INVESTMENT PROPERTIES

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

	2014/15 £000	2013/14 £000
Rental income from investment property	**4,356**	4,172
Direct operating expenses arising from investment property	**1,413**	1,343
Net gain/(loss)	**2,943**	2,829

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:

	2014/15 £000	2013/14 £000
Balance at start of year	**59,336**	44,370
Additions:		
Subsequent expenditure	**(11)**	3,925
Disposals	**(670)**	(1,345)
Net gains/losses from fair value adjustments	**(520)**	12,386
Other changes	**1,401**	-
Balance at end of year	**59,536**	59,336

25. FIXED ASSET VALUATION

The authority's freehold and leasehold properties have been valued by Kier, the Council's Asset Management partner, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. All assets are re-valued on a rolling programme basis over five years.

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

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

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

Except for those dwellings which the Authority leases out to other providers of social housing and a small number of impaired properties, the stock of council dwellings was re-valued as at 31st March 2015 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see note 4 on page 93).

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

	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Total**
Valued at historical cost		74	498		**572**
<u>Valued at current value:</u>					
2014/15	268,386	4,494			**272,880**
2013/14		6,227		1,108	**7,335**
2012/13	73	10,565			**10,638**
2011/12	1,230	20,643			**21,873**
2010/11		16,093			**16,093**
Total Net Book Value	**269,689**	**58,096**	**498**	**1,108**	**329,391**

26. DEPRECIATION

The treatment of depreciation is described in Note 1.14 (page 30) of the Summary of Significant Accounting Policies.

27. IMPAIRMENT LOSSES

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2014/15.

28. LONG TERM DEBTORS

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

	31st March	
	2014/15 £000	**2013/14 £000**
Housing Associations	**74**	76
Chesterfield Football Club	**858**	886
Operating Lease Incentives	**154**	75
Other	**230**	245
Total	**1,316**	1,282

29. LEASES

Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

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

	31st March	
	2015 £000	**2014 £000**
Not later than 1 year	**625**	625
Later than 1 year and not later than 5 years	**675**	1,276
Later than 5 years	**37**	51
Total	**1,337**	1,952

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2015 was £0k (£6k at 31st March, 2014).

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

	Year Ended 31st March	
	2015 £000	**2014 £000**
Minimum lease payments	**628**	669
Contingent rents	**9**	10
Total	**637**	679

Authority as Lessor

Finance Leases

The Authority has no finance leases.

Operating Leases

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

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

	31st March	
	2015 £000	**2014 £000**
Not later than 1 year	**2,039**	1,883
Later than 1 year and not later than 5 years	**3,987**	3,926
Later than 5 years	**3,607**	3,757
Total	**9,633**	9,566

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 2014/15, £352,071 contingent rents were receivable by the Authority (2013/14 £378,496).

30. INVENTORIES

	31st March	
	2015 £000	**2014 £000**
Direct Services	**243**	245
Crematorium	**1**	1
Other	**72**	71
Total	**316**	317

31. DEBTORS

	31st March	
	2015 £000	**2014 £000**
Sundry Debtors - Capital	**-**	-
Sundry Debtors - Revenue	**2,889**	3,204
Central Government Bodies	**3,336**	1,854
Other Local Authorities	**1,108**	1,209
Housing Revenue Account	**815**	928
Crematorium	**91**	51
Business Rate Payers	**261**	266
Council Tax Payers	**222**	206
Total	**8,722**	7,718

32. CASH & CASH EQUIVALENTS

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

	31st March	
	2015 £000	2014 £000
Cash held	**17**	17
Bank current accounts	**(2,713)**	(60)
Short term deposits with banks	**959**	460
Total	**(1,737)**	417

33. ASSETS HELD FOR SALE

	Current		Non Current	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Investment Property Held for Sale				
Balance brought forward at 1 April	**2,046**	1,632		
Revaluations	**(15)**			
Assets newly classified as held for sale	**693**	668		
Assets declassified as held for sale	**(1,401)**	-		
Assets sold	**(948)**	(254)		
Balance carried forward at 31 March	**375**	2,046	**-**	-
Other Assets Held for Sale				
Balance brought forward at 1 April	**149**	54		
Assets newly classified as held for sale	**358**	149		
Assets declassified as held for sale	**-**	-		
Assets sold	**(325)**	(54)		
Balance carried forward at 31 March	**182**	149	**-**	-
Net Sale Proceeds				
Investment Property	**1,181**	316	**-**	-
Other Assets	**381**	176	**-**	-

34. CREDITORS

	31st March	
	2015 £000	2014 £000
Sundry creditors – Capital	**1,347**	734
Sundry creditors - Revenue	**5,612**	5,889
Central Government Bodies	**812**	1,212
Other Local Authorities	**1,080**	1,005
Housing Revenue Account	**621**	581
Crematorium	**84**	109
Advance Receipts: Business rates	**62**	424
Advance Receipts: Council tax	**84**	80
Total	**9,702**	10,034

35. PROVISIONS

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

	Balance b/fwd 01/04/14	Movements in year		Balance c/fwd 31/03/15
		Additions	Applied	
Short Term Provisions				
Non Domestic Rate Appeals	686	555	(208)	**1,033**
D.L.O. Provision	301	311	(294)	**318**
Redundancy Provision	2	-	(2)	**-**
Total – Short Term Provisions	989	866	(504)	**1,351**
Long Term Provisions				
Non Domestic Rate Appeals	-	775	-	**775**
Transport Employee Pensions	950	23	(41)	**932**
Insurance Provision	497	227	(35)	**689**
MMI Provision	11	-	(1)	**10**
Other	4	7	-	**11**
Total – Long Term Provisions	1,462	1,032	(77)	**2,417**

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

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

Transport Employee Pensions
The provision is being built up in order to meet the Council's liability in respect of pensions of former Transport Undertaking employees who were transferred to the private sector on privatisation. An independent actuarial review of this fund takes place every three years. The next review will take place during 2015/16.

Insurance Provision
All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2013 which suggested that the fund balance was adequate.

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 2015 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 15% of these claims and an appropriate provision has therefore been included in the accounts.

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

36. FINANCIAL INSTRUMENTS BALANCES

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

	31st March			
	Long term		Current	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans & receivables	**2,229**	2,270	**5,029**	1,518
Available for sale	**-**	-	**-**	-
Financial assets at fair value through profit or loss	**3,266**	3,160	**18,633**	18,545
Financial assets carried at contract cost	**-**	-	**4,281**	4,700
Financial Assets	**5,495**	5,430	**27,943**	24,763
Financial liabilities at amortised cost	**135,420**	138,349	**7,659**	6,990
Financial liabilities at fair value through profit or loss	**-**	-	**-**	-
Financial liabilities carried at contract cost	**-**	-	**8,744**	8,272
Financial Liabilities	**135,420**	138,349	**16,403**	15,262

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:

<table>
<tr><td rowspan="2">2014/15</td><td>Financial Liabilities</td><td colspan="3">Financial Assets</td><td></td></tr>
<tr><td>Liabilities measured at amortised cost
£000</td><td>Loans & Receivables
£000</td><td>Available-for-sale assets
£000</td><td>Fair value through Profit & Loss
£000</td><td>Total
£000</td></tr>
<tr><td>Interest expense
Losses on derecognition
Impairment losses</td><td>5,580
-
-</td><td>-
-
-</td><td>-
-
-</td><td>-
-
-</td><td></td></tr>
<tr><td>Total expense in Surplus/Deficit on Provision of Services</td><td>5,580</td><td>-</td><td>-</td><td>-</td><td>5,580</td></tr>
<tr><td>Interest income
Dividend income
Increase in fair value
Gains on derecognition</td><td>-
-
-
-</td><td>(120)
-
-
-</td><td>-
-
-
(4)</td><td>-
-
(233)
-</td><td></td></tr>
<tr><td>Total income in Surplus/Deficit on Provision of Services</td><td>-</td><td>(120)</td><td>(4)</td><td>(233)</td><td>(357)</td></tr>
<tr><td>Gains on revaluation
Losses on revaluation
Amounts recycled to Surplus/Deficit on Provision of Services after impairment</td><td></td><td></td><td>-
-
-</td><td></td><td></td></tr>
<tr><td>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure</td><td></td><td></td><td>-</td><td></td><td></td></tr>
<tr><td>Net (gain)/loss for year</td><td>5,580</td><td>(120)</td><td>(4)</td><td>(233)</td><td></td></tr>
</table>

<table>
<tr><td rowspan="2">2013/14</td><td>Financial Liabilities</td><td colspan="3">Financial Assets</td><td></td></tr>
<tr><td>Liabilities measured at amortised cost
£000</td><td>Loans & Receivables
£000</td><td>Available-for-sale assets
£000</td><td>Fair value through Profit & Loss
£000</td><td>Total
£000</td></tr>
<tr><td>Interest expense
Losses on derecognition
Impairment losses</td><td>5,756
-
-</td><td>-
-
-</td><td>-
-
-</td><td>-
-
-</td><td></td></tr>
<tr><td>Total expense in Surplus/Deficit on Provision of Services</td><td>5,756</td><td>-</td><td>-</td><td>-</td><td>5,756</td></tr>
<tr><td>Interest income
Dividend income
Increase in fair value
Gains on derecognition</td><td>-
-
-
-</td><td>(107)
-
-
-</td><td>-
(1)
-
-</td><td>-
-
(49)
-</td><td></td></tr>
<tr><td>Total income in Surplus/Deficit on Provision of Services</td><td>-</td><td>(107)</td><td>(1)</td><td>(49)</td><td>(157)</td></tr>
<tr><td>Gains on revaluation
Losses on revaluation
Amounts recycled to Surplus/Deficit on Provision of Services after impairment</td><td></td><td></td><td>-
-
-</td><td></td><td></td></tr>
<tr><td>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure</td><td></td><td></td><td>-</td><td></td><td></td></tr>
<tr><td>Net (gain)/loss for year</td><td>5,756</td><td>(107)</td><td>(1)</td><td>(49)</td><td></td></tr>
</table>

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

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

- choice of an appropriate discount rate (based on the type of loan and its remaining life) from the PWLB premature repayment rates in force on the 31st March, 2015
- no impairment is recognised
- for both variable rate instruments and those expected to mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount. The carrying amount is therefore a reasonable approximation of fair value and this category of financial instrument is therefore excluded from the figures below.

	31st March 2015		31st March 2014	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial Liabilities	**143,079**	**180,577**	145,339	154,542

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

	31st March 2015		31st March 2014	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Loans & Receivables	**7,258**	**7,313**	3,788	3,831

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

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

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

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

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

	Amount at 31st March 2015 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2015 %	**Estimated maximum exposure to default & uncollectability £000**	Estimated maximum exposure at 31st March 2014 £000
Deposits with banks & financial institutions	21,899	-	-	**-**	21,705
Bonds	-	-	-	**-**	
Customers	1,989	55.94	61.05	**1,214**	1,749
Total	23,888	-	-	**1,214**	23,454

The authority does not generally allow credit for customers, such that £1.596m (£1.74m in 2013/14) of the £1.989m (£1.749m in 2013/14) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2015 £000	31st March 2014 £000
Less than three months	**393**	202
Three to six months	**78**	185
Six months to one year	**289**	235
More than one year	**836**	1,118
Total	**1,596**	1,740

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturing within	31st March 2015 £000	31st March 2014 £000
1 year	**7,659**	6,930
1 to 2 years	**1,914**	2,936
2 to 5 years	**6,165**	6,077
5 to 10 years	**12,353**	11,817
10 to 15 years	**13,793**	13,424
15 to 20 years	**20,995**	18,895
20 to 25 years	**24,400**	24,600
25 to 30 years	**20,000**	21,400
30 to 35 years	**17,000**	17,000
35 to 40 years	**10,400**	12,600
40 to 45 years	**6,000**	6,000
45 to 50 years	**2,400**	3,600
Total	**143,079**	145,279

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

Market Risk

Interest Rate Risk

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

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

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

- Investments at variable rates – interest income credited to Comprehensive Income & Expenditure Statement will rise

- Investments at fixed rates – fair value of assets will fall

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

The authority has a number of strategies for managing interest rate risk. For 2014/15, the upper limit for exposure to variable rate debt was £72.5m (£75.125m in 2013/14).

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

The authority had no significant exposures to variable rate borrowings or variable rate investments at 31st March, 2015. At the same date, the authority was exposed to £21.899m (£21.705m 2013/14) of fixed rate investments through its external fund managers. These investments are traded in an active market and carried at fair value, with any changes therein having a direct impact on the Comprehensive Income and Expenditure Statement. The fund manager's terms of reference are designed to reduce the volatility of overall investment returns over the course of an interest rate cycle through the use of appropriate asset allocation strategies (see also Price Risk).

Price Risk

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

Foreign Exchange Risk

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

40. USABLE RESERVES

	31st March	
	2015 £000	**2014 £000**
Earmarked Reserves - Capital	**1,853**	1,440
Earmarked Reserves - Revenue	**8,975**	8,494
Total Earmarked Reserves (GF)	**10,828**	9,934
General Fund(GF) Working Balance	**1,750**	1,750
HRA Working Balance	**18,026**	12,495
Earmarked Reserves - HRA	**2,635**	362
Useable Capital Receipts Reserve	**700**	429
Capital Grants Unapplied	**750**	1,241
Total Usable Reserves	**34,689**	26,211

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 18. A detailed breakdown of the Councils earmarked reserves is provided in Note 8. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

Usable Capital Receipts Reserve	**2014/15 £000**	**2013/14 £000**
Brought forward 1 April	**429**	206
Additions	**4,662**	2,759
Pooling liability	**(831)**	(760)
Financing of capital expenditure	**(2,549)**	(1,776)
Voluntary repayment of debt	**(1,011)**	-
Carried forward 31 March	**700**	429

Capital Grants Unapplied	**2014/15 £000**	**2013/14 £000**
Brought forward 1 April	**1,241**	1,117
Additions	**274**	677
Transfers (to)/from revenue	**222**	(53)
Financing of capital expenditure	**(987)**	(500)
Carried forward 31 March	**750**	1,241

41. UNUSABLE RESERVES

	31st March	
	2015 £000	**2014 £000**
Revaluation Reserve	**15,419**	13,651
Capital Adjustment Account	**239,734**	235,254
Financial Instruments Adjustment Account	**(50)**	(50)
Pensions Reserve	**(74,921)**	(55,791)
Deferred Capital Receipts Reserve	**183**	186
Collection Fund Adjustment Account	**(1,840)**	(397)
Accumulated Absences Account	**(193)**	(197)
Total Unusable Reserves	**178,332**	192,656

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.

	2014/15 £000	**2013/14 £000**
Balance brought forward 1st April	**13,651**	12,659
Revaluation gains	**2,358**	1,467
Revaluation and impairment losses	**(2)**	(19)
Amounts t/f to Cap Adj Account (Depreciation)	**(510)**	(396)
Amounts t/f to Cap Adj Account (Disposals)	**(78)**	(60)
Balance carried forward 31st March	**15,419**	13,651

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.

	2014/15 £000	2013/14 £000
Balance brought forward 1st April	**235,254**	207,136
Reversal of items recognised in the Comprehensive Income & Expenditure Statement		
Property, Plant & Equipment: depreciation charges	**(10,263)**	(8,771)
Property, Plant & Equipment: net revaluation gains/(losses)	**(785)**	10,221
Intangible Assets: amortisation charges	**(21)**	(10)
Revenue expenditure funded from capital under statute	**(1,363)**	(824)
Disposal/derecognition of non-current assets	**(5,628)**	(4,378)
Gain/(loss) in fair value of investment properties	**(536)**	12,386
Amounts transferred from the Revaluation Reserve		
Depreciation adjustment	**510**	396
Disposal/derecognition adjustment	**78**	60
Capital financing provisions		
Application of usable capital receipts	**3,561**	1,775
Application of Major Repairs Reserve	**7,236**	9,082
Application of revenue balances and direct revenue financing	**552**	855
Capital grants/contributions recognised in revenue during the period	**7,688**	4,365
Application of Capital Grants Unapplied	**987**	500
Minimum revenue provision	**2,492**	2,458
Donated Assets	**-**	30
Principal repayments - deferred debtors	**(28)**	(27)
Balance carried forward 31st March	**239,734**	235,254

44. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2015 £000	2014 £000
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	**-**	5
Net (premium)/discount incurred in the year and recognised in the Comprehensive Income & Expenditure Statement	**-**	-
Net (premium)/discount to be taken to the GF Balance	**-**	5
Balance of net (premium)/discount at 1 April	**(50)**	(45)
Amortised in year	**-**	(5)
Balance of net (premium)/discount at 31 March	**(50)**	(50)

45. PENSIONS RESERVE

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

	2015 £000	2014 £000
Balance brought forward at 1st April	**(55,791)**	(66,103)
Actual gains or losses on pension assets and liabilities	**(16,370)**	12,873
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	**(7,014)**	(6,683)
Employers pension contributions	**4,254**	4,122
Balance at 31st March	**(74,921)**	(55,791)

46. DEFERRED CAPITAL RECEIPTS RESERVE

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

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

	2015 £000	2014 £000
Balance brought forward at 1st April	**186**	190
Transfer to Capital Receipts Reserve on receipt of cash	**(3)**	(4)
Balance at 31st March	**183**	186

47. COLLECTION FUND ADJUSTMENT ACCOUNT

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

	2015 £000	2014 £000
Balance brought forward at 1st April	**(397)**	(27)
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	**(1,443)**	(370)
Balance at 31st March	**(1,840)**	(397)

48. ACCUMULATED ABSENCES ACCOUNT

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

	2015 £000	2014 £000
Balance brought forward at 1st April	**197**	179
Settlement or cancellation of accrual made at end of preceding year	**(197)**	(179)
Amounts accrued at end of current year	**193**	197
Balance at 31st March	**193**	197

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

	2014/15 £000	2013/14 £000
Depreciation	**(11,048)**	1,652
Impairment	**-**	(202)
Amortisation	**(21)**	(10)
Movement in Fair Value of Investments	**194**	3
(Increase)/decrease in Creditors	**680**	(1,691)
Increase/(decrease) in Debtors	**789**	1,083
Increase/(decrease) in Stock	**(1)**	(41)
Movement in Pension Liability	**(2,761)**	(2,561)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(5,551)**	(4,318)
Movement in Investment Property Value	**(535)**	12,386
Other non-cash items charged to net surplus/deficit on provision of services	**(1,337)**	3,636
Total	**(19,591)**	9,937

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

	2014/15 £000	2013/14 £000
Proceeds from sale of PPE, investment properties & intangible assets	**4,659**	2,756
Capital grants	**7,962**	5,041
Total	**12,621**	7,797

51. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2014/15 £000	2013/14 £000
Interest received	**(363)**	(173)
Interest paid	**5,581**	5,760

52. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2014/15 £000	2013/14 £000
Purchase of non-current assets	**21,460**	18,099
Purchase of short term and long term investments	**3,000**	1,250
Other payments for investing activities	**-**	28
Proceeds from sale of non-current assets	**(4,662)**	(2,735)
Proceeds from short term and long term investments	**-**	(1,000)
Other receipts from investing activities	**(7,981)**	(5,393)
Net cash flows from investing activities	**11,817**	10,249

53. CASH FLOW STATEMENT – FINANCING ACTIVITES

	2014/15 £000	2013/14 £000
Cash receipts of short and long term borrowing	**(2,000)**	(5,310)
Other receipts from financing activities	**-**	-
Repayments of short and long term borrowing	**6,921**	7,885
Other payments for financing activities	**588**	208
Net cash flows from financing activities	**5,509**	2,783

54. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Portfolio Income & Expenditure 2014/15	Leader & Regeneration £000	Deputy Leader & Planning £000	Environment £000	Housing £000	Leisure, Culture & Tourism £000	Governance £000	Customers & Communities £000	Council Housing £000	Total £000
Fees, Charges & Other Service Income	325	4,848	4,913	15	4,929	411	439	38,956	54,836
Government Grants	-	36	13	471	10	35	38,113	-	38,678
Recharges & Other Income	260	2,054	980	275	474	4,171	2,692	2,228	13,134
Total Income	**585**	**6,938**	**5,906**	**761**	**5,413**	**4,617**	**41,244**	**41,184**	**106,648**
Employee expenses	313	1,391	1,732	233	3,087	2,280	445	4,211	13,692
Other service expenses	332	3,167	6,678	620	4,116	3,048	40,215	11,840	70,016
Support service recharges	288	1,144	1,901	62	591	2,155	2,069	2,484	10,694
Capital charges	45	925	543	1,334	1,981	(161)	73	8,136	12,876
Provision for impairment	-	38	3	-	3	-	26	442	512
Transfer to/from reserves	25	96	1	44	-	-	68	-	234
Total Expenditure	**1,003**	**6,761**	**10,858**	**2,293**	**9,778**	**7,322**	**42,896**	**27,113**	**108,024**
NET EXPENDITURE	**418**	**(177)**	**4,952**	**1,532**	**4,365**	**2,705**	**1,652**	**(14,071)**	**1,376**

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

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

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

	2014/15 £000	2013/14 £000
Net expenditure in Portfolio analysis	**1,376**	(22,312)
Add: Amounts in Comprehensive Income & Expenditure Statement not reported in the analysis	**(589)**	(2,424)
Less: Amounts included in analysis not in Comprehensive Income & Expenditure Statement	**2,378**	15,499
Cost of Services in Comprehensive Income & Expenditure Statement	**3,165**	(9,237)

Reconciliation to Subjective Analysis

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

2014/15	Portfolio analysis £000	Amounts not in analysis but in Cost of Services £000	Amounts in analysis not in Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	54,836	748	(4,356)	51,228	4,356	55,584
Government Grants	38,678	293	358	39,329	11,843	51,172
Recharges & Other Income	13,134	353	123	13,610	561	14,171
Interest & Investment Income	-	-	-	-	372	372
Income from Business Rates	-	-	-	-	2,042	2,042
Income from Council Tax	-	-	-	-	4,376	4,376
Total Income	**106,648**	**1,394**	**(3,875)**	**104,167**	**23,550**	**127,717**
Employee expenses	13,692	273	315	14,280	76	14,356
Other service expenses	70,016	440	(973)	69,483	1,092	70,575
Support service recharges	10,694	30	(263)	10,461	264	10,725
Depreciation, amortisation and impairment	13,388	62	(576)	12,874	576	13,450
Transfers to/from reserves	234	-	-	234	-	234
Interest payments	-	-	-	-	7,985	7,985
Precepts	-	-	-	-	341	341
Payments to Housing Capital Receipts Pool	-	-	-	-	831	831
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	1,018	1,018
Total Expenditure	**108,024**	**805**	**(1,497)**	**107,332**	**12,183**	**119,515**
(Surplus)/Deficit on Provision of Services	**1,376**	**(589)**	**2,378**	**3,165**	**(11,367)**	**(8,202)**

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

55. RELATED PARTY TRANSACTIONS

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

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

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

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 2014/15 is shown in Note 16. In addition, the Council paid grants totalling £278,695 to voluntary organisations in which 11 members had positions on the governing body. In all instances, the grants were

made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

Subsidiary and Associated Companies

The authority had no interest in subsidiary or associated companies in the year.

Other Arrangements

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

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

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

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

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

During the year, the consortium retained a surplus of £50,000.00 (£115,096 in 2013/14).

The Council's proportion of the consortium's net surplus at the 31st March 2015 is £18,065 (£41,584 at 31st March 2014).

57. CHESTERFIELD & DISTRICT JOINT CREMATORIUM COMMITTEE

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

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

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

The following percentages have been applied:

Year	**Chesterfield Borough Council**	North East Derbyshire District Council	Bolsover District Council
2014/15	**55%**	31%	14%
2013/14	**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

2013/14		**2014/15**		
Net Expenditure £000		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
(133)	Environmental	818	(798)	**20**
(133)	**Net Cost of Service**	**818**	**(798)**	**20**

Balance Sheet

2013/14 £000		**2014/15 £000**
	Long Term Assets	
1,268	Other Land & Buildings	**1,248**
2	Vehicles, Plant, Furniture & Equipment	**1**
21	Assets under Construction	**-**
138	Investment Properties	**138**
	Current Assets	
1	Stock	**1**
51	Debtors	**91**
702	Cash	**940**
	Current Liabilities	
(109)	Creditors	**(84)**
	Long Term Liabilities	
680	Pension Scheme Assets	**752**
(1,005)	Pension Scheme Liabilities	**(1,121)**
1,749	**Net Assets**	**1,966**
201	Revaluation Reserve	**194**
1,211	Capital Adjustment Account	**1,177**
(325)	Pensions Reserve	**(369)**
361	Earmarked Reserves	**696**
301	Balances – Revenue Surplus	**268**
1,749	**Total Reserves**	**1,966**

58. TRUST FUNDS

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

Uncle Billy's Trust Fund	Income £000	Expenditure £000	Capital Value of Fund £000
2014/15	**(3)**	**5**	**67**
2013/14	(3)	4	67

59. THE ARVATO PARTNERSHIP

2014/15 is the fifth year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, human resources and payroll, IT, Facilities Maintenance, Asset Management and Invoice Processing together with call centre and reception services.

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

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

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31st March 2015 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2015/16	4,759
Payable within two to five years	19,030
Payable within five to ten years	2,638
Total	**26,427**

60. CONTINGENT LIABILITIES

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2015. Further appeals against valuations on the 2010 valuation list may be received in future years. The value of this liability is estimated at £735,000.

Municipal Mutual Insurance

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

Holiday Pay

The Employment Appeal Tribunal have recently held that non-guaranteed overtime should be included in holiday pay calculations. The case in which this decision was made is potentially subject to appeal around backdating limits. Because of this uncertainty, work has not been carried out to identify the extent of the possible liability.

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	2014/15 £000	2013/14 £000
Income:			
Dwellings Rents	1	**37,330**	35,365
Charges for Services and Facilities		**633**	640
Non-Dwelling Rents		**659**	664
Contribution towards Expenditure		**541**	516
Total Income		**39,163**	37,185
Expenditure:			
Supervision & Management : General		**5,713**	5,416
Special		**2,397**	2,377
Rents, Rates, Taxes & Other Charges		**369**	262
Repairs and Maintenance		**8,416**	8,783
Negative HRA Subsidy		**-**	-
Depreciation & Impairment of non-current assets		**8,232**	(4,062)
Debt Management Costs		**70**	58
Movement in the allowance for bad debts		**442**	89
Total Expenditure		**25,639**	12,923
Net Expenditure/(Income) of Services as included in the Comprehensive Income & Expenditure Statement		**(13,524)**	(24,262)
HRA share of Corporate & Democratic Core		**21**	25
Net Expenditure/(Income) for HRA Services		**(13,503)**	(24,237)
HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement			
(Gain)/Loss on Disposal of HRA non-current assets		**1,108**	1,007
HRA share of interest payable & similar charges		**5,330**	5,479
Interest & Investment Income		**(178)**	(39)
Share of D.L.0./D.S.O. Surplus		**(100)**	(500)
Change in Market Value of Investment Properties		**(166)**	(3,313)
Income & Expenditure re Investment Properties		**(70)**	(122)
Capital grants and contributions receivable		**-**	-
(Surplus)/Deficit on HRA Services		**(7,579)**	(21,725)

Movement on the HRA Statement	**2014/15 £000**	2013/14 £000
Balance on HRA at end of previous year	**(12,495)**	(8,276)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	**(7,579)**	(21,725)
Adjustments between accounting basis and funding basis under statute (note 10)	**1,988**	17,394
Net (Increase)/Decrease before transfers to or from reserves	**(5,591)**	(4,331)
Transfers to/(from) reserves	**60**	112
(Increase)/decrease in year on HRA	**(5,531)**	(4,219)
Balance on HRA at end of current year	**(18,026)**	(12,495)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,529 dwellings available for rent during 2014/15. 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, £626,531 (1.68%) of rental income was lost due to vacant properties, in 2013/14 the figure was £549,416 (1.55%). The average weekly rent in 2014/15 was £82.76 (48 week year), an increase of £4.91 (6.31%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2015 was as follows:

	31 Mar 15	31 Mar 14
Houses	**4,868**	4,927
Flats & maisonettes	**3,255**	3,260
Bungalows	**1,394**	1,394
Others	**12**	11
Total	**9,529**	9,592

The number of properties sold under the 'Right to Buy' legislation in 2014/15 was 67 (49 in 2013/14).

3. RENT ARREARS

Rent arrears at the year end totalled £2,307,064. This compares with £2,131,078 at 31st March, 2014. A provision of £914,603 (£743,703 in 2013/14) 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 2015 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 2014 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2015 £000	As at 31st March 2014 £000
Council Dwellings	**269,689**	265,915
Other Land & Buildings	**2,758**	2,914
Vehicles, Plant, Furniture & Equipment	**40**	63
Assets Under Construction	**1,512**	585
Surplus Assets Not Held for Sale	**1,108**	1,245
Investment Properties	**4,676**	4,796
Investment Property Held for Sale	**225**	-
Other Assets Held for Sale	**-**	-
Total	**280,008**	275,518

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

The vacant possession value of the dwellings as at 1st April, 2014 was £782m (£742m 1st April 2013). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the Open Market Value (OMV) of the stock to Existing Use Value – Social Housing (EUV-SH) for inclusion in the balance sheet was reduced from 50% to 34% with effect from 1st April, 2010.

5. HRA CAPITAL EXPENDITURE & FINANCING

Capital Expenditure		Capital Financing	
	£000		**£000**
Council Dwellings	14,279	Borrowing	-
Assets Under Construction	1,144	Capital Receipts Reserve	2,167
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	7,236
		Grants & Contributions	6,020
		Revenue Balances & Direct Revenue Financing	-
Total	**15,423**		**15,423**

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2014/15 £000	2013/14 £000
Council Dwellings	3,036	2,267
Other Land & Property	233	-
Total	**3,269**	2,267

7. DEPRECIATION

HRA Depreciation	2014/15 £000	2013/14 £000
Council Dwellings	7,072	6,710
Other Land and Buildings	88	88
Surplus Assets Not Held for Sale	1	1
Vehicles, Plant, Furniture and Equipment	22	19
Total	**7,183**	6,818

8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

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

REFCUS, Revaluation and Impairment Losses	2014/15 £000	2013/14 £000
Council Dwellings	1,049	(10,880)
Other Land and Buildings	-	-
Surplus Assets Not Held for Sale	-	-
Revaluation and Impairment Losses	**1,049**	(10,880)
Movements in the fair value of investment property	(167)	(3,314)
Total	**882**	(14,194)

9. MAJOR REPAIRS RESERVE

Major Repairs Reserve	2014/15 £000	2013/14 £000
Balance brought forward at 1st April	**66**	-
Depreciation	**7,183**	6,818
Transfers in	**2,266**	2,330
Debits in respect of capital expenditure	**(7,236)**	(9,082)
Balance Carried Forward	**2,279**	66

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2014/15 £000	2013/14 £000
Net gain/(loss) on sale of HRA non-current assets	**(1,108)**	(1,007)
HRA share of contributions to or from the Pensions Reserve	**(392)**	(245)
Capital expenditure funded by the HRA	**-**	34
Transfer to/(from) Major Repairs Reserve	**2,266**	2,330
Movement in Market Value of Investment Properties (note 8)	**167**	3,314
Transfer to/(from) Capital Adjustment Account (note 8)	**(1,049)**	10,880
Voluntary Repayment of Debt	**2,108**	2,140
Short Term Accumulated Absences	**(4)**	(52)
Total Adjustments	**1,988**	17,394

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.

2013/14		2014/15		
Total £000		**Business Rates £000**	**Council Tax £000**	**Total £000**
	Income			
(40,572)	Council Tax (Note 1)	-	(41,838)	(41,838)
(35,925)	Business Rates (Note 2)	(35,210)	-	(35,210)
(76,497)		(35,210)	(41,838)	(77,048)
	Expenditure			
	Apportionment of Previous Year Surplus/(Deficit)			
-	Central Government	58	-	58
(12)	Chesterfield Borough Council	46	25	71
(83)	Derbyshire County Council	10	172	182
(5)	Derbyshire Fire Authority	1	11	12
(12)	Derbyshire Police & Crime Commissioner	-	26	26
(112)		115	234	349
	Precepts, Demands & Shares			
17,171	Central Government	17,889	-	17,889
17,976	Chesterfield Borough Council	14,312	4,320	18,632
32,342	Derbyshire County Council	3,220	30,175	33,395
2,167	Derbyshire Fire Authority	358	1,880	2,238
4,533	Derbyshire Police & Crime Commissioner	-	4,675	4,675
74,189		35,779	41,050	76,829
	Charges to Collection Fund			
207	Transitional Protection Payments	(207)	-	(207)
563	Increase/(Decrease) in bad debt provision (Note 5)	394	254	648
1,715	Increase/(Decrease) in provision for appeals (Note 6)	2,804	-	2,804
220	Business Rate Deferrals	(156)	-	(156)
165	Cost of Collection Allowance	166	-	166
450	**(Surplus)/Deficit arising during year**	**3,685**	**(300)**	**3,385**
233	**(Surplus)/Deficit Brought Forward**	**1,104**	**(421)**	**683**
683	**(Surplus)/Deficit as at 31st March (Notes 3 & 4)**	**4,789**	**(721)**	**4,068**

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	16,076	6/9	10,718
B	8,056	7/9	6,266
C	5,236	8/9	4,654
D	3,304	9/9	3,304
E	1,621	11/9	1,981
F	496	13/9	717
G	187	15/9	312
H	13	18/9	26
Totals	35,022		27,996
Less adjustment for collection rate			(532)
Council Tax Base			**27,464**

The basic amount of Council Tax for a Band D property was £1,482.27 (£1,456.23 2013/14).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (48.2p in 2014/15 and 47.1p in 2013/14) 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 47.1p for 2014/15 (46.2p in 2013/14).

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 2015 was £89,704,561 (£88,670,629 as 31st March 2014).

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

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated surplus of £664,798 was assumed when setting the Council Tax for 2015/16. The additional surplus of £56,375 will be recovered in the tax calculation for 2016/17.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2015 £000	2014 £000
Derbyshire County Council	531	309
Derbyshire Police & Crime Commissioner	82	48
Derbyshire Fire Authority	33	19
Chesterfield Borough Council	75	45
Council Tax (Deficit)/Surplus	721	421

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 2016/17 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 £1,872,931 was assumed in the calculation of business rate income in 15/16. The additional deficit of £2,916,318 will be recovered in the income calculation for 2016/17.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH		
	Proportionate Share	2015 £000
Derbyshire County Council	9%	(431)
Derbyshire Fire Authority	1%	(48)
Central Government	50%	(2,394)
Chesterfield Borough Council	**40%**	**(1,916)**
Council Tax (Deficit)/Surplus	100%	(4,789)

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.

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	736	(309)	394	821
Council Tax	2,090	(158)	254	2,186
Total	2,826	(467)	648	3,007

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 movements on the appeals provision are shown below:

COLLECTION FUND – APPEALS PROVISION			
Brought Forward £000	Applied in year £000	Contribution to provision in year £000	Carried Forward £000
1,715	(520)	3,324	4,519

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 £340,460 parish precepts (Staveley £294,226 and Brimington £46,234).

AUDITORS REPORT (Covering pages 17 - 100)

Expected by 30th September 2015

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GENERAL FUND BUDGET OUTTURN 2014/15 (J000)

MEETING: (1) COUNCIL
(2) CABINET
(3) LEADER IN CONSULTATION WITH THE DEPUTY LEADER

DATE: (1) 22ND JULY 2015
(2) 16TH JUNE 2015
(3) 9TH JUNE 2015

REPORT BY: CHIEF EXECUTIVE
CHIEF FINANCE OFFICER

WARD: ALL

COMMUNITY FORUM: ALL

KEY DECISION REF: 401

FOR PUBLICATION

BACKGROUND PAPERS:
Final accounts working papers, Accountancy Section.

1.0 PURPOSE OF REPORT

1.1 To report on the General Fund Revenue and Capital Outturns for 2014/15, provide details of significant variations from the revised estimates and to consider carry forward requests.

2.0 RECOMMENDATIONS

Cabinet:

2.1 That the General Fund Revenue and Capital Outturn reports for 2014/15 be noted.

2.2 That the £313k revenue account surplus be transferred to the Retained Business Rates Reserve account.

2.3 That the General Fund carry forward and deferred growth requests be considered (para 4.4).

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

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

Full Council:

2.6 Considers the report.

3.0 BACKGROUND

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

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

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

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

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

4.0 GENERAL FUND REVENUE ACCOUNT

4.1 The Summary Revenue Account, comparing the outturn with both the original and revised estimates for the financial year, is shown at **Appendix A**. There was a net surplus of **£312,504** in the year compared with:

a) The **original** budget surplus forecast of £243,855.

b) The **revised** budget surplus forecast of £39,818.

4.2 Details of the variances that contributed towards the £204k reduction from the original deficit forecast to the revised forecast were included in the budget report to the Cabinet on the 18th February 2014.

4.3 The outturn **surplus is £273k above the revised budget** forecast. Whilst a significant sum in absolute terms, the under spend is low in relative terms i.e. less than 1% of the Council's gross turnover (income plus expenditure excluding Benefits, i.e. £30m + £20m = £50m).

4.4 Details of the variances have been reported in the Executive Member reports. There were many relatively low value budget variances in the year but also a number of significant variances. A summary of the most significant variances is included in **Appendix B**. At the time the revised budgets were approved there were a number of potentially high cost live issues but their likelihood of occurring and their impact were not clear at that stage. The issues were reported to the Financial Planning Group as they developed, together with the improving income position on many services (Planning, Sports facilities, Venues, etc).

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

4.6 There are significant variances on Asset Charges on some of the portfolios due to valuation adjustments for balance sheet purposes; Deputy Leader +£0.6m, Leisure +£1.1m and Governance -£0.3m). Accounting regulations require the adjustments to be reflected in the appropriate service revenue account but they are then reversed out in the "Interest and Capital Charges" line of the summary revenue account (Appendix A) which shows an increased income of £1.4m. There is, therefore, no bottom-line impact from these valuation adjustments.

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

4.8 There are a number of **carry forward requests** and two deferred **growth requests** to consider. Fuller details of the Carry Forward requests are included in the Executive Members' reports. The table below provides a summary of the carry forward and deferred growth requests with a recommendation on each from the enior Leadership Team (SLT).

Table 1 – Carry Forward & Deferred Growth Requests

Portfolio	Service	Description	Amount	From	SLT recommendation
Dep Leader	Forward Planning	Professional fees as approved in principle by the Cabinet (21st April 2015).	13,900	Budget Risk Reserve	Approve on an on-going basis
Environment	Environmental Health Admin	To complete a system upgrade from the Oracle to a Sequel server.	3,500	Budget Risk Reserve	Approve – need to feed in any ongoing costs to the ICT Strategy
	Parks	Additional general maintenance works.	14,000	Budget Risk Reserve	Reject due to the large underspend in 2014/15, some of which will be recurring.
Governance	Elections	To match the actual profile of expenditure on the May 2015 elections.	6,000	Budget Risk Reserve	Approve
	Leadership Development	Slippage on carry forward approved from 2013/14.	6,000	Already set aside in the Budget Risk Res	Approve
Sub-total		**Carry fwd requests**	**43,400**		
<u>Growth requests</u>:					
Environment		Cemeteries Improvement Programme	70,000	BR /SI Reserve	Defer pending more detail and a full business case report.
Governance		Communications Team's training budget	2,000	Budget Risk Reserve	Reject, but managers to try and identify a virement solution.
Total	**Carry f/wds**	**& Growth Request**	**£115,400**		

5.0 DLO/DSO's

5.1 A summary of the DLO/DSO surpluses/deficits is shown in **Appendix D**. All of the operations produced a surplus for the year. The table below summarises the proposed distribution of the surpluses:

Table 2 – Allocation of DLO/DSO Surpluses	
Fund / Reserve	**Amount (£'000)**
Earmarked for carry forward requests	265
Housing related surplus to the HRA	100
General Fund Revenue Account	114
General Fund Budget Risk Reserve	19
Total	**498**

6.0 GENERAL FUND BALANCES AND RESERVES

6.1 The table below shows a summary of the General Fund Reserves and Provisions; more detail is provided in **Appendix E**. Please note that the summary of useable reserves in the table below excludes the **General Working Balance** (which is being reduced to £1.5m in 2015/16).

Table 3 – General Fund Reserves & Provisions 2014/15			
Reserve	**Opening Balance £'000**	**Closing Balance £'000**	**Revised Forecast £'000**
Budget Risks Reserve	**1,000**	**780**	**791**
Invest-to-Save Reserve	**393**	**286**	**229**
Service Improvement Reserve	**1,175**	**1,153**	**887**
Other Earmarked Reserves	**3,726**	**4,504**	**2,826**
Provisions	**1,700**	**1,891**	**1,616**
Total Reserves & Provisions	**7,994**	**8,614**	**6,349**

6.2 Overall the level of reserves and provisions are £2.3m above the revised budget forecast estimate due mainly to increases in the Business Rates Reserve, Property Repairs Fund, Vehicles & Plant Reserve, Insurance Fund and the Service Improvement Reserve. Further details are provided below.

6.3 Budget Risk Reserve

This reserve provides a supplement to the General Working Balance to cover any budget risks and to help finance any severance costs resulting from voluntary staffing reductions through implementing the Transformation Strategy. The table below provides a comparison of the revised budget with the outturn position. The balance in the reserve is above the revised budget forecast by £19k, due mainly to the inclusion of the 2014/15 DSO surpluses.

Table 4 – Budget Risk Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance 1 Apr 2014	**1,000**	1,000
Movements in 2014/15:		
VR/VER's	**(53)**	(53)
CMT restructure	**(97)**	(97)
Governance restructure	**(31)**	(31)
13/14 carry forwards	**(36)**	(36)
Learning & Development	**(26)**	(32)
Transfer from Risk Mgt Reserve	**5**	
Security DSO surplus	**13**	
Building Cleaning surplus	**6**	
2014/15 budget outturn surplus	**-**	40
Balance c/fwd 31st Mar 2015	**781**	791
Outstanding Commitments:		
STWA tenants consultation exercise	**(30)**	(30)
Land Charges claims	**(44)**	(44)
Erin Road Pumping Station	**(50)**	(50)
Learning & Development	**(6)**	
Approved growth – stock condition survey	**(26)**	(26)
Approved Growth – Data Custodian Officer	**(17)**	(17)
External Legal Advice re works in default	**(3)**	
2014/15 carry forward requests	**tbc**	-
Uncommitted Balance	**605**	624

6.4 Invest-to-Save Reserve

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

Table 5 - Invest-to Save Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance b/fwd 1 Apr 2014	**393**	393
Movements in 2014/15:		
Community Infrastructure Levy		(5)
Payment Kiosk at Staveley (SHLC)	**(23)**	(23)
Holmebrook Valley Park drainage	**(18)**	(21)
Venues refurbishment	**(57)**	(90)
CMT restructure – external advice	**(25)**	(25)
VSO's co-location – capital financing adj	**15**	
Balance c/fwd 31st Mar 2015	**285**	229
Outstanding Commitments:		
Customer Service Strategy - capital	**(105)**	(105)
Local Collective Agreement	**(10)**	(10)
Car park improvements	**(111)**	(111)
Venues refurbishment (balance)	**(33)**	
Holmebrook Valley Park drainage (balance)	**(3)**	
Community Infrastructure Levy	**(5)**	
Repayments into the fund		
Uncommitted Balance c/fwd	**18**	3

6.5 The main issue to note is that the forecast balance will reduce to just £18k in the near future after all the known commitments are taken into account.

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

Table 6 - Service Improvement Reserve		
	Outturn £'000	**Revised Budget £'000**
Opening balance 1 Apr 2014	**1,176**	1,176
Movements in 2014/15:		
Linacre Master Plan	**(26)**	(67)
Project Academy	**(14)**	(30)
Grit storage	**-**	(5)
Venues Refurbishment	**-**	(20)

Innovation Centres telephony system (half)	**-**	(102)
Innov Centres telephony system repayment	**25**	
Northern Gateway (half of £100k allocation)	**-**	(50)
Open Market Reconfiguration Study	**-**	(15)
Waterside Legal Costs	**(7)**	
Balance c/fwd 31st Mar 2015	**1,154**	**887**
Outstanding Commitments:		
Linacre Master Plan	**(40)**	
Project Academy	**(52)**	(36)
Grit storage	**(5)**	
Venues Refurbishment	**(20)**	
Car parking improvements	**(15)**	(15)
Innov Centres telephony system (balance)	**(204)**	(102)
Innov Centres telephony system repayment	**25**	
Northern Gateway (balance)	**(100)**	(50)
Open Market Reconfiguration (tender price)	**(23)**	
Waterside Legal Costs	**(33)**	(40)
Uncommitted Balance	**687**	**644**

6.7 The balance in the reserve was £267k above the revised estimate for 201415 due to slippage on approved expenditure. Once outstanding commitments are taken into account there is a positive variance due to repayments of the Innovation Centre loan (£50k) less the increased cost of the Open Market Reconfiguration study (£8k).

6.8 **Other Earmarked Reserves** - these reserves are held for specific purposes. The total balance on these reserves increased by £1.7m over the revised forecast for the financial year 2014/15. The most significant changes include:

- Vehicle & Plant - £219k above the revised forecast due to reduced expenditure.
- Property Repairs Fund - £264k above the revised estimate due to reduced expenditure.
- GP:GS Reserve – this is fund includes the un-used balance of the ICT replacement budget which is being set aside for the ICT equipment required for mobile working etc.
- Retained Business Rates Reserve – increased by £1.1m from £0.2m at the start of the year by transferring in all available revenue budget savings. The reserve is need to help finance the Council's share of the fund deficit (40% x £4.8m = £1.9m) when it hits the accounts in 2015/16 and 2016/17.

6.9 **Provisions**

a) Transport Company Pensions Provision – this provision has been established to cover the Council's future liabilities for pension costs relating to the employees of the former Transport Company. The provision was last reviewed by the County Council's pension fund actuary in 2010/11. The County Council were asked to commission a further review in order to inform the 2015/16 budget process but to date no update has been received.

b) Insurance Provisions – in addition to the provisions, which cover reported claims only, the Council also holds money in Insurance Reserves to cover future claims. An actuarial review was undertaken in 2013 which concluded that the overall amounts held could be reduced by £393k (which was transferred into the Budget Risk Reserve) and that the remaining balance should be re-allocated between the provision and reserves elements. The MMI Provision for the first 15% claw-back (£204k) was paid in 2014/15. A further £503k is held in a reserve account to cover possible future claw-back claims.

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

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

7.0 CAPITAL EXPENDITURE AND FINANCING

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

7.2 Actual expenditure on schemes was £8.4m compared with the original budget for the year of £10.3m (as at Feb 2014) and £8.5m at the revised budget stage (February 2015). The main reasons for the variance from the revised budget (-£0.1m) include:

- Overspends on:
  - Disabled Facilities Grants (+£162k) but this is financed from unused Government grants received in previous years;

- Queens Park Sports Centre (+£299k) but this is just a profiling issue, the project remains within budget.

- Underspends on:
  - Innovation telephony upgrade (£136k)
  - GPGS Town Hall changes (£50k)
  - Flood prevention works (£72k)
  - Vehicle & Plant (£226k)

7.3 On the financing side, the main reasons for the £0.1m reduction were:

- Prudential Borrowing increased by £1.1m to £4.4m representing the increased expenditure on the Queen's Park Sport Centre scheme and the re-profiling of the external contributions from Chesterfield College and Sport England into 2015/16. Over the two years, 2014/15 and 2015/16, the borrowing should balance out.
- Grants and Contribution down by £753k, due mainly to the reduced Queen's Park Sports Centre contributions (-£760k) and the increased Disabled Facilities Grant contributions (+£162k), as referred to earlier in the report.
- Vehicle & Plant Fund contribution down be £226k, matching the reduction in expenditure;

8.0 CAPITAL RECEIPTS

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

Table 7 - Useable Capital Receipts			
	Gen Fund £'000	**Housing £'000**	**Total £'000**
Balance b/fwd 1st April	-	429	429
Add: Receipts in the year	1,394	3,268	4,662
Less: Housing receipts 'Pooled'	-	(830)	(830)
Less: Applied to repay debt	(1,011)		(1,011)
Less: Applied to finance GF cap ex	(383)	-	(383)
Less: Applied to finance HRA cap ex	-	(2,167)	(2,167)
Balance c/fwd 31st March	**-**	**700***	**700**

* The Housing balance of £700k represents the retained 'one-for-one' element of RTB receipts.

8.2 At the revised budget stage the forecast for capital receipts was reduced dramatically from £4.1m to £1.3m due mainly to £3.1m of receipts being moved into 2015/16 (Newbold School, Ashgate Road and Gorse Valley). The table below summarises the movements over the financial year. The actual amount achieved was slightly above the revised budget:

Table 8 – General Fund Capital Receipts	
	Amount (£'000)
Original Budget Forecast – start of year	4,109
Revised Budget Forecast – Jan 2015	1,324
Actual	1,394

8.3 The slippage of some major disposals into 2015/16 has taken the target receipts figure for 2015/16 to £5.7m. To date only £217k has been received which suggests that the target is unlikely to be achieved. A revised forecast will be produced at the end of Quarter 1.

9.0 COLLECTION FUND SURPLUSES

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

9.2 Surpluses or deficits relating to the Council Tax are shared between the Derbyshire County Council, Derbyshire Police Authority, the Fire Authority and the Borough Council in proportion to the precepts issued and must be used to adjust the Council Tax. The outturn balance on the Council Tax elements of the Fund is a surplus of £721,173. A surplus of £664,798 was estimated when setting the Council Tax for 2015/16. The increased surplus was due largely to a reduction in the provision for bad debts. The increase in the surplus will be carried forward to the tax calculation exercise for 2016/17. The Council's share of the increased surplus, at 10%, will be £5,600.

9.3 Business Rates – Surpluses or deficits relating to Business Rates are shared between Central Government, Derbyshire County Council, Derbyshire Fire Authority and the Borough Council in proportions laid down by Government. The deficit increased dramatically mainly as a result of a surge in potentially back-dated valuation appeals in the run up to the deadline date announced in the Autumn Statement of 31st March 2015. The Appeals Provision stood at £1.7m at the start of 2014/15, with £0.5m paid out during the year and a need to top up the provision by £3.3m in order to end the year with a balance of £4.5m to meet the estimated liability of successful appeals. Increasing the Appeals Provision contributed towards the deficit on the Business Rate Income Account which stood at £4.8m at the end of 2014/15. The

Council's share of the deficit is £1.9m (i.e. 40% x £4.8m). This will be accounted for over two financial years:

2015/16 - a deficit share of £0.75m was estimated for the end of 2014/15 when the budgets for 2015/16 were set; £320k of this is to be met from the Business Rates Reserve created in 2013/14, £250k from the working balance and the remaining £180k charged to the budget in 2015/16.

2016/17 – the balance of the deficit (£1.2m) will be taken into account as part of the budget setting process for 2016/17. The Levy saving and the net surplus achieved in 2014/15 (£0.9m combined) will be set aside in the Retained Business Rates Reserve and will be used in 2016/17 to help offset the deficit share charged in that financial year; this will leave an unfunded balance of £0.3m in 2016/17.

10.0 CONCLUSIONS AND IMPLICATIONS FOR THE MEDIUM TERM

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

- £0.7m in 2015/16;
- £1.4m in 2016/17;
- £1.8m in 2017/18;
- £2.1m in 2018/19; &
- £2.5m in 2019/20.

10.2 The medium term forecast will have to be updated to reflect the impact of budget variances recorded in 2014/15 that are likely to be of a recurring nature. This will require further work to get a better understanding of why the variances occurred. The outcome of this exercise will be included in the next budget monitoring report to the Cabinet.

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

- Further cuts in Government grants from following the Emergency Budget in July 2015 of the Spending Review in the autumn, beyond those assumed in the budget forecast.

- The introduction of the Business Rates Retention and Localised and Council Tax Support schemes in April 2013 transferred some significant financial risks to local government. The risks include the cost of backdated Business Rate appeals, the growth or decline in the Business Rate base and the collection of Council Tax from those who have had their support reduced. As we have seen from the Business Rate Account in 2013/14 and 2014/15 it is difficult to predict the net income due to the Council even for just one year ahead and the likely cost of appeals continues to be a major concern.
- From 2016/17 the budget forecasts assume a 1.99% council tax increase and a 0.5% growth in the tax base, equivalent to approximately £100k (£80k + £20k) in each year. There is a risk that the Government will continue to limit future tax increases.
- Delays in delivering the required budget savings in future years.

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

- A number of significant variances occurred in 2014/15, both positive and negative. It is evident that further improvements need to be made to the budget monitoring arrangements to ensure that such variances are declared much earlier in the budget process in the future. It is important that an assessment is undertaken quickly to establish which of the 2014/15 variances are likely to be recurring. This will enable the budget deficit forecasts to be updated in order to provide a more realistic base point from which to make further decisions on where and when future budget savings are to be implemented. The scale of the current budget deficit forecasts, however, is such that Council will not be able to rely solely on future under-spends to bridge the deficit gaps. Significant budget cuts will have to be made over the next few years if a sustainable budget position is to be achieved.
- The Council continues to be exposed to significant financial risks due the wide range of services it provides and the heavy reliance on income from rents, fees and charges.
- The working balance is being maintained at £1.5m. In addition, healthy balances are retained in other earmarked reserves and provisions. It is, however, important that strong financial discipline is maintained to ensure that a reasonable balance is retained in these funds, by controlling their use and creating capacity within the revenue budget to be able to replenish them.

- In terms of the General Fund Capital Programme the Council is exposed to a number of significant financial risks including generating capital receipts, cost overruns and exempt VAT recovery.
- The Cabinet will require regular updates on both the revenue and capital budgets to ensure that the financial risks referred to above are being effectively managed.

11.0 RECOMMENDATIONS

Cabinet:

11.1 That the General Fund Revenue and Capital Outturn reports for 2014/15 be noted.

11.2 That the £313k revenue account surplus be transferred to the Retained Business Rates Reserve account.

11.3 That the General Fund carry forward and deferred growth requests be considered (para 4.4).

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

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

Full Council:

11.6 Considers the report.

12.0 REASON FOR RECOMMENDATION

12.1 In the interest of sound financial management.

H. BOWEN	B. DAWSON
CHIEF EXECUTIVE	**CHIEF FINANCE OFFICER**

Officer recommendation supported.

Signed Executive Member

Dated

Further information on this report can be obtained from Barry Dawson, ext 5451.

GENERAL FUND OUTTURN 2014/15

	Original £	Revised £	Outturn £	Variance Rev'd- Out £
Per Lead Member reports:				
Leader - Regeneration	484,210	410,910	**418,080**	7,170
Deputy Leader	(1,279,830)	(1,294,490)	**(178,394)**	1,116,096
Environment	5,268,110	5,060,780	**4,952,993**	(107,787)
Homes & Neighbourhoods	1,193,790	1,537,510	**1,532,147**	(5,363)
Leisure, Culture & Tourism	3,134,350	3,267,850	**4,364,557**	1,096,707
Governance & Organisational Dev't	3,471,470	3,492,090	**2,704,883**	(787,207)
Customers & Communities	1,616,550	1,608,700	**1,652,482**	43,782
Other:				
Other Income	(9,390)	(116,794)	**(133,413)**	(16,619)
Transformation Savings	(818,000)	67,000	**0**	(67,000)
less allowance for delay etc	206,100	0	**0**	0
Staff vacancies allowance	(150,000)	0	**0**	0
Share of Internal Audit surplus	0	0	**(44,163)**	(44,163)
Share of Crematorium Surplus	(55,000)	(110,000)	**(110,000)**	0
Spirepride surplus	(117,220)	(36,030)	**(113,562)**	(77,532)
DSO (surplus)/deficit	0	0	**(18,955)**	(18,955)
Pension - employers contributions	82,630	0	**0**	0
Car allowance scheme	(40,000)	0	**0**	0
Other incl bad debt provision	50,000	50,000	**16,020**	(33,980)
Total Service Expenditure	13,037,770	13,937,526	**15,042,675**	**1,105,149**
Interest & capital charges	(1,846,300)	(2,208,480)	**(3,637,112)**	(1,428,632)
Contributions from Invest to Save	6,900	(48,000)	**(48,000)**	0
Contrib from Service Improv't Res.		(30,000)	**(40,830)**	(10,830)
Contributions from Budget Risk Res.		(248,750)	**(243,277)**	5,473
Contributions to Renewals Fund etc	146,000	146,000	**146,000**	0
To/(from) Business Rates Risk Res.			**0**	0
To/from Reserves	0		**49,409**	49,409
DSO surplus/deficit to/from Reserves	0	0	**18,955**	18,955
Surplus/(Deficit) - to/(from) reserves	**243,855**	**39,818**	**312,504**	272,686
NET EXPENDITURE	11,588,225	11,588,114	**11,600,324**	

Financed By:			
RSG	3,354,621	3,354,621	**3,354,621**
Business Rates Baseline	3,004,464	3,004,464	**3,004,464**
Settlement Funding	6,359,085	6,359,085	**6,359,085**
Retained Business Rates Growth	689,018	773,055	**465,055**
S31 Business Rate Relief Grants		0	**796,066**
Council Tax Freeze Grant	47,777	47,903	**47,903**
Council tax support grants to parishes	(59,531)	(59,531)	**(59,531)**
Council Tax Fund Surplus/(Deficit)	24,968	24,968	**24,968**
Business Rates Fund Surplus/(Deficit)	46,090	46,090	**46,080**
Contribution (to)/ from Business Rate reserve	0	(84,038)	**(572,103)**
Other Government grants	39,332	39,332	**51,551**
New Homes Bonus	462,249	462,013	**462,013**
Council Tax	3,979,237	3,979,237	**3,979,237**
TOTAL FINANCING	11,588,225	11,588,114	**11,600,324**

BR Growth Retention:			
Growth rate			
CBC 40% share of income	14,311,597	14,311,597	**14,311,597**
Less tarfiff	(10,842,078)	(10,842,078)	**(10,842,078)**
Add s31 grant re SBRR	506,768	541,000	
Add s31 grant re other refiefs	244,545	209,000	
Gross income before levy	4,220,832	4,219,519	**3,469,519**
Less Baseline Funding	(3,004,464)	(3,004,464)	**(3,004,464)**
Growth	1,216,368	1,215,055	**465,055**
Levy (NB 50% on nndr3 not nndr 1)	(608,184)	(477,000)	**0**
Adjs to Levy & Tariff	(72,859)	(120,000)	
Retained BR re renewable energy			
Grant re Multiplier Cap	153,692	155,000	
BR Growth Retained above Baseline	**689,017**	**773,055**	465,055
Add Baseline Funding	3,004,464	3,004,464	**3,004,464**
Total BR Income Retained	3,693,481	3,777,519	**3,469,519**

2014/15 VARIANCE ANALYSIS - REVISED TO OUTTURN

Category	Description	Amout £'000	Totals £'000
Leader:	Innovation Centres	(11)	
	Other (net)	(4)	(15)
Planning:	Industrial & commercial property	21	
	Town Centre properties - rents	31	
	Town Centre Grants	91	
	Planning (Dev Ctrl, Bld Ctrl, FP, CIL)	(52)	
	Estates	34	
	Business Transf / GP:GS	184	
	Other (net)	(10)	299
Environment:	Street Cleaning	(23)	
	Bereavement Services	(22)	
	Car Parking	(74)	
	Licensing	(19)	
	Parks	(79)	
	Other (net)	(5)	(222)
Housing General Fund:	Net of all - no signif variances	2	2
Leisure:	Queen's Park Sports Centre	(40)	
	Staveley Healthy Living Centre	(77)	
	Hasland Hall/Assembly Rooms	(20)	
	Winding Wheel	(32)	
	Pomegranate	(58)	
	Tourism	(18)	
	Markets	35	
	Other (net)	(14)	(224)
Governance:	Legal, Civic & Democratic	(24)	
	ICT	111	
	Pensions	80	
	Other (net)	(35)	132
Customers & Communities:	Revenues & Benefits Admin	36	
	Other (net)	(7)	29
Sub-total - controllable budget variances			**1**
Internal Recharges:	Pension costs adjustments	(28)	
	Accumulated absences adjustment	(17)	
	Support Service Recharges	22	(23)
Non-Portfolio Budgets:	Other Income	(17)	
	Transformation savings	(67)	
	Internal Audit surplus	(44)	
	SpirePride surplus	(77)	
	Interest & Capital charges	(43)	
	to/from - Service Improv't Res.	(11)	
	to/from - Budget Risk Reserve	5	
	to/from - other reserves	49	

	Retained business rates	(12)	
	Other	(34)	(251)
Overall Outturn Variance			**(273)**

Reconciliation to totals	Outturn surplus		(313)
	Less Revised estimate		(40)
	Change in surplus		**(273)**

GENERAL FUND SERVICE EXPENDITURE SUBJECTIVE ANALYSIS

	Original	Revised	Outturn	Variance Original to Outturn		Variance Revised to Outturn	
	£'000	£'000	£'000	£'000	%	£'000	%
Expenditure:							
Employees	9,301	9,574	**9,479**	178	1.9	(95)	(1.0)
Premises	4,687	4,539	**4,379**	(308)	(6.6)	(160)	(3.5)
Transport	151	138	**123**	(28)	(18.5)	(15)	(10.9)
Supplies & Services	6,083	6,221	**6,484**	601	6.6	263	4.2
Transfer Payments	37,849	37,069	**37,002**	(847)	(2.2)	(67)	(0.2)
Agency & Contracted	9,677	9,682	**9,658**	(19)	(0.2)	(24)	(0.2)
Central & Dept Support	8,828	8,178	**8,165**	(663)	(7.5)	(13)	(0.2)
Capital & Asset Charges	3,754	4,198	**5,528**	1,774	47.3	1,330	31.7
HRA Contribution	624	629	**625**	1	0.2	(4)	(0.6)
Transfer to Reserves	(612)	0	**26**	638	(104.2)	26	
Total Expenditure	80,342	80,228	**81,469**	1,127	1.4	1,241	1.5
Income:							
Rents	7,319	7,392	**7,382**	(63)	0.9	10	0.1
Sales	450	463	**501**	(51)	(11.3)	(38)	(8.2)
Fees & Charges	8,885	9,074	**9,390**	(505)	(5.7)	(316)	(3.5)
Grants	39,122	38,331	**38,171**	951	2.4	160	0.4
Recharges & other	11,528	11,030	**10,982**	546	4.7	48	0.4
Total Income	67,304	66,290	**66,426**	878	1.3	(136)	(0.2)
Total Service Net Expd	13,038	13,938	**15,043**	2,005	15.4	1,105	7.9

DSO/DLO SURPLUSES / (DEFICITS) 2014/15

	Surplus / (Deficit) £	Reserved for carry forwards (see below) £	To HRA £	To Gen Fund Revenue Account £	To Budget Risk Reserve £
Building Maintenance	**360,360**	260,360	100,000	-	-
Spirepride	**113,562**	-	-	113,562	-
Building Cleaning	**5,577**	-	-	-	5,577
Security Services	**18,379**	5,000	-	-	13,379
Total	**497,878**	**265,360**	**100,000**	**113,562**	**18,956**
Details of Carry Forward Requests:					
OSD:					
To write off obsolete stock		40,000			
Equipment for working at heights		100,000			
Insurance claims fighting fund		20,000			
Two additional apprentices		30,000			
Bicycle Storage		5,000			
Rewire Depot Premises		20,000			
Upgrade Depot CCTV		10,000			
Depot Improvements		15,000			
Investment fund for trading activities		20,360			
OSD total		260,360			
Security – provision for future costs/losses		5,000			
Total		**265,360**			

GENERAL FUND RESERVES AND PROVISIONS

9001 code	Purpose	Bal at start of year £'000	Bal at end of year £'000	Revised Bud Est £'000
3240	Vehicles and Plant	878	) 1,211	853
	Wheelie Bin Replacements	189	)	139
3241	Property Repairs	642	717	453
3244	Asset Management	44	44	26
3246	Risk Mgt Initiatives	10	5	5
3248	Zurich - Risk Mgt Reserve	10	5	-
3263	Museum Exhibits	25	25	25
3265	Flooding Restoration Fund	82	82	74
3378	MMI Clawback Reserve	513	503	503
3380	ICT	46	-	-
3390	Insurance - claims not yet reported	567	567	567
3391	Working Neighbourhoods WNF	224	118	118
3398	GP:GS Reserve	50	105	-
3399	Retained Business Rates Res.	238	1,122	-
3411	New Homes Bonus - Waterside	208	-	63
	Earmarked Reserves	**3,726**	**4,504**	**2,826**
3388	Budget Risk (incl. 13/14 surplus)	1,000	780	791
3389	Invest to Save	393	286	229
3412	Service Improvement	1,175	1,153	887
	Reserves Total	**6,294**	**6,723**	**4,733**
3264	Planning LDF Review	242	260	250
3237/8	Insurance - reported claims	497	689	433
3247	MMI Claw-back	11	10	-
3239	Transport Co. Pensions	950	932	933
	Provisions Total	**1,700**	**1,891**	**1,616**
	Reserves & Provisions Total	**7,994**	**8,614**	**6,349**

GENERAL FUND CAPITAL PROGRAMME 2014/15

SCHEME	Original Budget Cab Feb 14 £'000	Revised Budget Cab Feb 15 £'000	Outturn £'000	Variance from Revised £'000
C'fld Gateway Enhancement Project	389	576	576	0
Destination C'fld - public realm			19	19
Innov Centres tele/ICT upgrade		136		(136)
Leader - Regeneration	**389**	**712**	**595**	**(117)**
Hollis Lane Flood resilience work	139	27	5	(22)
Brampton Flood Resilience	336	74	24	(50)
Major Property Repairs unallocated	200	0	0	0
Planning	**675**	**101**	**29**	**(72)**
Thistle Park	74	50	51	1
Holmebrook Valley Pk Drainage		53	42	(11)
Eastwood Park			17	17
Eastwood Park - Pavillion	302	324	322	(2)
SpirePride depot relocation	96	448	405	(43)
Inkersall Green Play Area (S106)		20	20	0
King George V Bowls Pavillion		50	47	(3)
Inkerman Partk footpath		31	24	(7)
Whitebank Sportsground		33	9	(24)
OSD computer system	18	126	141	15
Car Park Improvements	270	0	0	0
Environment	**760**	**1,135**	**1,078**	**(57)**
House Repairs Assistance	275	200	95	(105)
Private Sector Decent Homes	102	136	222	86
Disabled Facilities Grants	650	543	705	162
RSL Support	283	311	311	0
Housing Gen Fund	**1,310**	**1,190**	**1,333**	**143**

Market Hall Refurbishment			(11)	(11)
Venues Refurbishment	618	589	555	(34)
QPSC new build	5,600	4,114	4,413	299
Leisure, Culture & Tourism	**6,218**	**4,703**	**4,957**	**254**

ICT Strategy (from IT Reserve)	146	181	218	37
Vehicles & Plant (V&P Fund) - minor			133	133
Vehicles & Plant (V&P Fund) - major	419	421	62	(359)
Governance	**565**	**602**	**413**	**(189)**

GP:GS - Town Hall re VO relocation			(15)	(15)
GPGS - Town Hall refurb	290	50		(50)
Customer Services Strategy	75			0
Customers & Communities	**365**	**50**	**(15)**	**(65)**

General Fund Major Cap Expd	**10,282**	**8,493**	**8,390**	**(103)**

CAPITAL PROGRAMME FINANCING				
Financing of Major Cap Expd:				
Prudential Borrowing - QPSC	5,600	3,354	4,413	1,059
Capital Receipts	4,109	1,324	1,394	70
Cap Rects used to repay borrowing	(1,594)	(869)	(1,012)	(143)
Grants & Contributions (see below)	2,346	3,407	2,654	(753)
Invest to Save Res.- CSS	75			0
Invest to Save Res.- HBVP		21	18	(3)
Invest to Save - Venues	108	90	57	(33)
Invest to Save Res.- Town Hall VOs			(15)	(15)
Invest to Save Res.- Car Parks	111			0
Service Improv Res. - Car Parks	15			0
Service Improv Res. - Venues	17			0
Service Improv Res. - Innov Centres		86		(86)
DLO/DSO Reserve	18	126		(126)
DSO Reseerve SP Depot	21	265	364	99

Prop Repairs Fund - Eastwood Pk				0
ICT Reserve	146	181	219	38
Vehicle & Plant Fund - minor			133	133
Vehicle & Plant Fund - major	419	421	62	(359)
Vehicle & Plant Fund - car parks	144			0
Vehicle & Plant Fund - Venues	10	10	10	0
Prop Repairs Fund - Venues	27	27	27	0
Prop Repairs Fund - Innov Centres		50		(50)
Rev - Dest C'fld			19	19
Rev - Gateway Enhancements			47	47
				0
Resources (c/fwd) / shortfall				0
Capital Expd Financing	**11,572**	**8,493**	**8,390**	**(103)**

Financing Surplus / (Deficit)	**1,290**	**0**	**0**	**0**

GRANTS & CONTRIBUTIONS				
S106 - Inkersall Green play area		20	20	0
S106 - Inkerman footpath		3	2	(1)
Inkerman footpath		28		(28)
King George V Bowls Pavillion		50		(50)
S106 - Whitebank Sportsground		33	9	(24)
Thistle Park - Friends of group			1	1
Thistle Park - Landfill Credit	18			0
Thistle Park - Sport England	27			0
NHB Waterside	63	145	208	63
Private Sector Decent Homes	102	302	302	0
Decent Homes - Independ Living			10	10
Diabled Facilities Grant	650	543	705	162
Fuel Poverty - DECC				0
Affordable Homes S106			13	13
Eastwood Park - SITA				0
Eastwood Park - HLF	54	28	34	6
Eastwood Park Pavillion - Sp Eng	112	150	150	0
Market Hall - ERDF				0

Market Hall - THI		181	182	1
Destination C'fld Public Realm				0
Flooding schemes - Environment Agency	475	94	29	(65)
HVP - Football Foundation		32	24	(8)
Venues - Arts Council	456	462	436	(26)
C'fld Gateway Project - ERDF	241	357	328	(29)
C'fld Gateway Project - S106	148	219	201	(18)
QPSC - Sport England		760		(760)
				0
	2,346	**3,407**	**2,654**	**(753)**

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

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

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

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cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Chesterfield Borough Council

September 2015

Contents

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

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sue Sunderland, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at Chesterfield Borough Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in January 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June and July 2015.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

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

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

There are no recommendations relating to the 2014/15 audit. We have reviewed your progress in implementing the prior recommendation and this is detailed in Appendix 1.

Acknowledgements

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

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report that our audit of your financial statements has not identified any adjustments above our reporting threshold. We have agreed minor presentational changes to the accounts with the Chief Accountant. Overall, the quality of the financial statements was good and we would like to thank the finance team for their hard work in producing the accounts.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Authority at the planning stage and no further risks were identified during our 2014/15 audit.
Accounts production and audit process	Chesterfield Borough Council has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss issues as they arise.
Completion	At the date of this report our audit of the financial statements is substantially complete with only a few elements of our work on property, plant and equipment, debtors and creditors testing outstanding. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015. Our audit plan identified the achievement of savings plans as a key risk. We have therefore considered this issue in section 4 of this document which details our work on the VFM conclusion. The position is becoming more challenging for the Authority and regular monitoring and reporting of the financial position will remain necessary to ensure savings are being delivered and budgets are being controlled.

Financial Statements
Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2015 following approval of the Statement of Accounts by the Standards and Standards and Audit Committee on 23 September.

Audit differences

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

We did not identify any material misstatements.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ('the Code')*. We understand that the Authority has addressed these issues.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

Financial Statements (continued)
Significant risks and key areas of audit focus

In our External Audit Plan 2014/15, presented to you in January 2015, we did not identify any significant risks affecting the Council's 2014/15 financial statements.

During the year we did not identify any additional risks that would affect the Council's 2014/15 financial statements.

We reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Fraud risk of revenue recognition	Audit areas affected ■ None	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Management override of controls	Audit areas affected ■ All areas	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

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Financial Statements (continued)
Accounts production and audit process

The Authority has good processes in place for the production of the accounts and good quality supporting working papers.

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

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Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015**.** The Authority have made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2015 and discussed with Helen Fox, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers dealt efficiently with audit queries in a reasonable time.

Findings in respect of the control environment for key financial systems

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

Arrangements are generally sound and we have no specific recommendations to make on the existing arrangements.

Prior year recommendations

We made one specific recommendation in our 2014/15 ISA 260 Report concerning the challenging financial position and the need to closely monitor it. We have considered the Council's arrangements as part of our VFM work in Section 4 of this report.

Financial Statements (continued)
Completion

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

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

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

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Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Chesterfield Borough Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Chesterfield Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

VFM conclusion

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

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

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Background

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

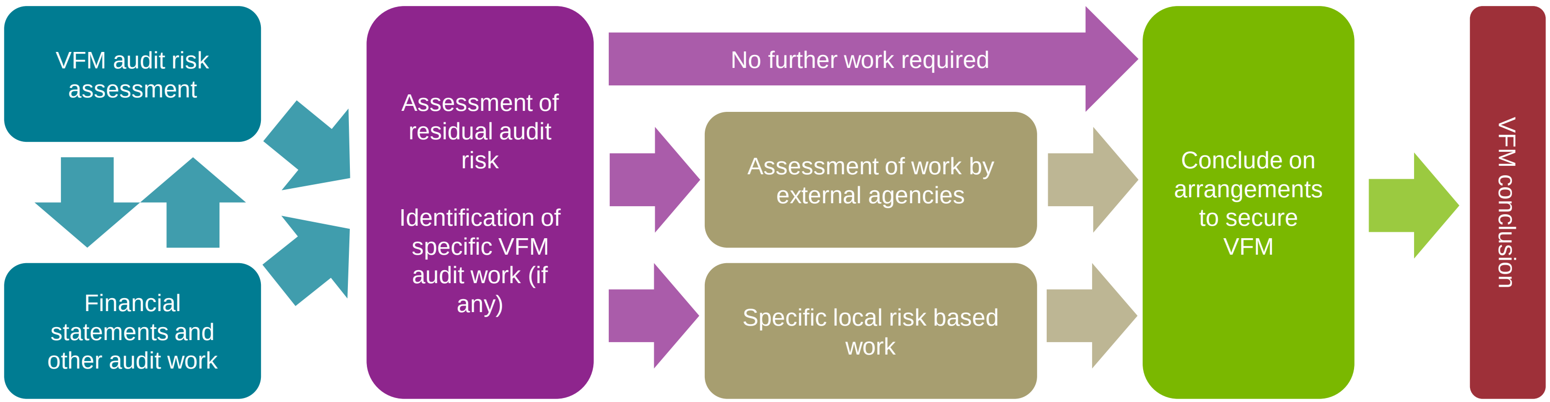
- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

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

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

Work completed

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



The following page includes further details of our VFM risk assessment.

Conclusion

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

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

Specific VFM risks

We identified a single specific VFM risk.

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

Work completed

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

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

Below we set out the findings in respect of those areas where we have identified an initial audit risk for our VFM conclusion at the planning stage.

Following our detailed risk assessment we concluded that we did not need to carry out additional work as there was sufficient relevant work completed by the Authority.

Specific VFM risks (continued)

We identified a single specific VFM risk.

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

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
Delivery of savings	Delivery of future savings in such a way that secures longer term financial and operational sustainability remains a challenge for the Council. As at January 2015, a combination of increased income (planning and car parking) and expenditure savings (vacant posts for example) was forecast to eliminate the previously forecast deficit for 2014/15.The deficit forecast for 2015/16 was only £0.373m and this was being worked on. However, the Business Rate income forecast, which now forms a significant element of the Council's budget, had yet to be finalised and, due to the ongoing issues with back-dated appeals, had the potential to produce a significant variance from the figures assumed. Over the medium term the latest forecast, which assumed significant Government funding cuts again in 2016/17 and 2017/18, showed the deficit increasing to almost £2m by 2019/20. Substantial savings of a recurring nature will have to be made in every year so that by 2019/20 the £2m target is met. It will become increasingly difficult to deliver savings in a way that secures longer term financial and operational sustainability. There is a risk that action taken by the Council in response is insufficient or not timely. This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.	In 2014/15 the Council was budgeting for savings of £591k to generate a surplus of £244k. The Council actually achieved a surplus of £312k in 2014/15 which was transferred to reserves. The general fund reserve as at 31 March 2015 was £1.75m. A balanced budget was set for 2015/16 including circa £600k planned savings. Going forward, the financial position remains a significant challenge for the Council with significant deficits forecast before savings for the following years: 2016/17 - £1.4m 2017/18 - £1.8m 2018/19 - £2.2m 2019/20 - £2.5m In addition to the pressures upon the Council's General Fund, recent government announcements concerning future rent reductions for social housing will impact upon the Council's Housing Revenue Account. The Council are currently assessing the impact upon the HRA business plan to ensure that it's long term sustainability is maintained. It is therefore imperative that the Council continues to identify and deliver future savings to ensure longer term financial and operational sustainability.

Appendix 1: Follow up of prior year recommendations

The Authority has implemented the recommendation in our *ISA 260 Report 2013/14.*

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This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original reports	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2015
1	2	The financial position of the Authority is becoming more challenging with the latest budget monitoring report showing a number of significant areas of potential overspend which if not addressed will add around £0.5m to the current year's expenditure and just under £1m to the 2015/16 budget. Although the Authority is confident that corrective action can be taken in year it is imperative that this is closely monitored and that all members are kept informed of the financial position on a regular basis.	Chief Financial Officer to provide the following budget monitoring information: • Budget update at each Financial Planning Group meeting – fortnightly. • Budget monitoring reports issued to budget holders - monthly. • Budget update at Cabinet/CMT Workshops - monthly • Quarterly budget monitoring reports to the Cabinet, Overview & Performance Scrutiny Forum and full Council. • First draft budget report to the Cabinet in December and the final budget report in February.	Budget updates to Financial Planning Group – this group meets fortnightly and 'Budget Update' is a standing item on the agenda - the update is given verbally. Budget monitoring reports to budget holders monthly – these sent out to budget holders electronically at the end of each accounting period Budget update at Cabinet/CMT workshops – these workshops took place monthly until the budget was set in February 2015. The workshops are scheduled to recommence on a monthly basis in September 2015 (September 29th is the next schedules session to discuss the financial position and budget savings). Quarterly budget monitoring reports to Cabinet/Council – budget monitoring reports for Cabinet/Council for months 6, 9 and outturn for 14/15 done and the first one for 15/16 will go to Cabinet on 22/9/15. Scrutiny committee had updates in November, December and February. Draft budget reports to Cabinet in December and February – achieved.

Appendix 2: Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund and HRA as a result of the amendments.

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

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them. A number of minor amendments focused on presentational improvements and these have also been made to the draft financial statements.

Appendix 3: Declaration of independence and objectivity

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

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Requirements

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

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

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

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

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

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

General procedures to safeguard independence and objectivity

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

Appendix 3: Declaration of independence and objectivity (continued)

We are disclosing a specific issue relating to a tax engagement which was entered into before we became your external auditors.

We have concluded that our objectivity has not been compromised by this issue.

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Chesterfield Borough Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Chesterfield Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 4: Materiality and reporting of audit differences

For 2014/15 our materiality is £1.75 million for the Authority's accounts.

We have reported all audit differences over £87k for the Authority's accounts to the Audit Committee.

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Materiality

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

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in January 2015

Materiality for the Authority's accounts was set at £1.75m which equates to around 2% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Standards and Audit Committee

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

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £87k for the Authority.

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

Appendix 5: KPMG Audit Quality Framework

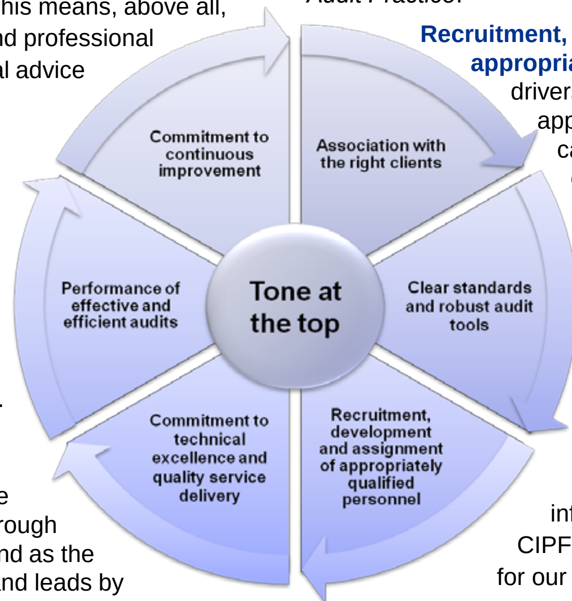
We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.



KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Sue Sunderland as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

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Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report showed that we are meeting the overall audit quality and regulatory compliance requirements.

KPMG

cutting through complexity™

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

23rd September 2015

Dear Mrs Sunderland

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

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

5. There are no material misstatement in the prior period financial statements to correct.

Information provided

6. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

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

8. The Authority confirms the following:

i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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

ii) The Authority has disclosed to you all information in relation to:

a) There have been no instances of fraud or suspected fraud that the Authority is aware of and that affects the Authority and involves :
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) There have been no allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

12. The Authority confirms that:

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

    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its

knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:
    - statutory, contractual or implicit in the employer's actions;
    - arise in the UK and the Republic of Ireland or overseas;
    - funded or unfunded; and
    - approved or unapproved,

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Standards & Audit Committee on 23rd September 2015.

Yours sincerely,

Cllr M Rayner
Chair of the Standards & Audit Committee

B Dawson CPFA
Chief Financial Officer

Appendix to the Authority Representation Letter of Chesterfield BC: Definitions

Financial Statements

A complete set of financial statements comprises:

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

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

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

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

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

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the

size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

a) A person or a close member of that person’s family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled, or jointly controlled by a person identified in (a).
   vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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FOR PUBLICATION

SUMMARY OF INTERNAL AUDIT REPORTS ISSUED

MEETING:	**STANDARDS AND AUDIT COMMITTEE**
DATE:	**23RD SEPTEMBER 2015**
REPORT BY:	**INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM**
WARD:	**ALL**
COMMUNITY ASSEMBLIES:	**ALL**

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: LOCATION:

1.0 **PURPOSE OF REPORT**

1.1 To present for members' information a summary of Internal Audit Reports issued during the period 6th June 2015 – 28th August 2015 in respect of reports issued relating to the 2015/16 internal audit plan.

2.0 **RECOMENDATION**

2.1 That the report be noted.

3.0 **BACKGROUND**

3.1 The Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

3.2 In preparing this report, no standard corporate issues (e.g. risk management, equalities) were considered relevant.

4.0 **SUMMARY OF REPORTS ISSUED**

4.1 Attached, as Appendix 1, is a summary of reports issued covering the period 6th June 2015 to 28th August 2015, for audits included in the 2015/16 internal audit plan.

4.2 The Appendix also shows for each report a summary of the scope and objectives of the audit, the overall conclusion of the audit and the number of recommendations made / agreed where a full response has been received.

4.3 The conclusion column of Appendix 1 gives an overall assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	**Definition**
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

4.5 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committees attention.

5.0 **RECOMMENDATION**

5.1 That the report be noted.

6.0 **REASON FOR RECOMMENDATION**

6.1 To inform Members of the internal audit reports issued.

JENNY WILLIAMS
INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM
Further information on this report can be obtained from Jenny Williams (Extension 5468)

Appendix 1

Chesterfield Borough Council – Internal Audit Consortium

Report to Standards and Audit Committee

Summary of Internal Audit Reports Issued 2015/16– Period 6th June 2015 – 28th August 2015

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
3	Crematorium Income	To ensure that fees and charges are correct and that all income is properly accounted for	Satisfactory	3/06/2015	24/06/2015	24/06/2015	4	4
4	Refuse Collection Contract	To review the management of the contract	Satisfactory	24/06/2015	15/07/2015	7/07/2015	2	2
5	Non Housing Property Repairs	To review the operation of the property repairs fund	Unsatisfactory	10/07/2015	31/07/2015	24/08/2015	7	3 accepted 3 further discussion required 1 not accepted
6	Council Tax	To review and assess the key controls	Marginal	10/07/2015	31/07/2015	19/08/2015	5	5
7	VAT	To ensure that the VAT return is completed accurately and promptly	Satisfactory	14/07/2015	3/08/2015	21/07/2015	1	1

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
8	Markets	To review income and banking procedures	Satisfactory	15/07/2015	5/08/2015	6/08/2015	7	7
9	BCN Consultancy Income	To ensure that the fees charged are correct and collected promptly	Good	10/08/2015	1/09/2015	10/08/2015	1	1
10	Bank Reconciliation	To ensure that the bank reconciliation is completed in a timely and accurate manner	Satisfactory	12/08/2015	3/09/2015	14/08/2015	2	2

Non Housing Property Repairs – Unsatisfactory

The main points arising were:-

- Previously agreed recommendations had not been actioned
- The 10 year asset management plan is not adhered to and has not been reviewed
- Contributions to the property fund have not been reviewed
- Condition surveys are being completed but then no further action to update the 10 year plan to reflect the findings of the surveys
- A number of high profile council properties are awaiting condition surveys – Town Hall, Pomegranate Theatre, Crematorium

- Budgets need to be downloaded in to the facilities maintenance on line system to enable adequate budget monitoring to be undertaken

Council Tax – Marginal

The main points arising were:-

- The void inspection cycle is running at 48 weeks against a target of 20 weeks
- “Old cases” at committal warning letter/awaiting committal hearing/committal stage need reviewing with a clear policy on recovery action to be pursued in these matters to be determined
- Virtually no tracing has occurred during 2014/15 or 2015/16
- Some accounts had remained with a stop recovery code for 8 months without review.

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FOR PUBLICATION

INTERNAL AUDIT CHARTER

MEETING:	**CHESTERFIELD BOROUGH COUNCIL STANDARDS AND AUDIT COMMITTEE**
DATE:	**23RD SEPTEMBER 2015**
REPORT BY:	**INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM**

FOR PUBLICATION
BACKGROUND PAPERS: Public Sector Internal Audit Standards

1 Purpose of Report

1.1 To report to Members for information and approval the results of a review of the Internal Audit Charter.

2 Recommendations

2.1 That Members note the outcome of the review of the Internal Audit Charter.

2.2 That, subject to any comments Members may wish to make, that the updated Internal Audit Charter be agreed.

2.3 That the agreed Internal Audit Charter be reviewed in 2 years time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

3 Background

3.1 The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

3.2 In September 2013 the Internal Audit Charter was formally approved by the respective Audit Committee Members. It was agreed that the Charter would be reviewed every 2 years to ensure that it is kept up to date.

3.3 The PSIAS requires the Head of Internal Audit to review the charter periodically but final approval rests with the Standards and Audit Committee.

3.4 It should be noted that there has been no update or revision to the Public Sector Internal Audit Standards (PSIAS) since the 2013 version.

3.5 The Charter has been reviewed to confirm that it is still current. The outcome of the review is that it is considered that the current charter is still appropriate and accords with the PSIAS. Two minor changes have been made, reference to the Accounts and Audit Regulations has been updated to the 2015 version and a paragraph in respect of ethics has been added.

4 <u>The Internal Audit Charter</u>

4.1 The Internal Audit Charter is attached as Appendix 1.

4.2 The Internal Audit Charter is a formal document and the PSIAS require that it should:

- Recognise the mandatory nature of the PSIAS.
- Define the scope of internal audit activities.
- Establish the responsibilities and objectives of internal audit.
- Establish the organisational independence of internal audit.
- Establish the accountability, reporting lines and relationships between the Head of Internal Audit and the Standards and Audit Committee and those to whom the Head of Internal Audit reports to functionally and administratively.
- Set out the responsibility of the Standards and Audit Committee and other officers with regards to internal audit.
- Set out the arrangements that exist within the organisations anti-fraud and anti-corruption policies, requiring the Head of Internal Audit to be notified of all suspected or detected fraud, corruption or

impropriety, to inform the annual internal audit opinion and the risk-based plan.
- Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls.
- Establish internal audits right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

The PSIAS also specifies that the charter must:

- Define the terms "board" and "senior management" for the purpose of internal audit activity.
- Cover the arrangements for appropriate resourcing.
- Define the role of internal audit in any fraud related work and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

4.3 The charter has been formulated to adequately cover the above issues and take into account the arrangements for the Internal Audit Consortium set down in the Consortium Agreement.

5 Considerations

5.1 Risk Management – The adoption of an Internal Audit Charter will help to ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS.

6 Recommendations

6.1 That Members note the outcome of the review of the Internal Audit Charter.

6.2 That, subject to any comments Members may wish to make, that the updated Internal Audit Charter be agreed.

6.3 That the agreed Internal Audit Charter be reviewed in 2 years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

7.0 Reason for Recommendations

7.1 To comply with the requirements of the PSIAS.

Jenny Williams
Interim Head of Internal Audit
Consortium

Appendix 1

BOLSOVER, CHESTERFIELD AND NORTH EAST DERBYSHIRE DISTRICT COUNCILS'

INTERNAL AUDIT CHARTER

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) which took effect from 1 April 2013 require the adoption of an Internal Audit Charter. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit Consortium that have been established to provide the internal audit service to the three Councils'.

PSIAS/REGULATORY BASIS OF OPERATION

2. The adoption of the PSIAS is mandatory and includes a
   - Definition of Internal Auditing
   - Code of ethics
   - International Standards for the Professional Practice of Internal Auditing

3. The Internal Audit Consortium adopts the PSIAS and the purpose and definition of Internal Audit as specified by the PSIAS:-

   Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

4. The requirement for an internal audit function in local government is specified within the Accounts and Audit (England) Regulations 2015, which state:

   A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance.

   .

5. The Consortium agreement details how the Consortium will operate in terms of finance, staffing, reporting and independence.

6. Internal Audit is also governed by policies, procedures, rules and regulations established by the host Council. These include Financial Regulations, Conditions of Service, Codes of Conduct and Anti-Fraud and Corruption strategies.

7. Where key services are to be provided to one of the partner Councils' by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.

DEFINITIONS

8. The PSIAS require that the Charter must define the terms "Board" and "Senior Management" for the purposes of internal audit activity.

9. The PSIAS glossary defines the board as:

   The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the "board" may refer to the head of the organisation, "Board" may refer to an audit committee to which the governing body has delegated certain functions.

10. At Chesterfield Borough Council the "Board" will be the Standards and Audit Committee.
    At Bolsover District Council the "Board" will be the Audit Committee
    At North East Derbyshire District Council the "Board" will be the Audit, Corporate Governance and Scrutiny Committee.

11. In addition to this the Joint Board will approve and monitor the annual business plan and financial position of the Consortium.

12. "Senior Management" – those responsible for the leadership and direction of the Council. This will be each Council's Senior Management Team.

13. The PSIAS adopt the term "Chief Audit Executive", this role is met by the Head of the Internal Audit Consortium.

SCOPE AND OBJECTIVES OF INTERNAL AUDIT

14. The scope of the Internal Audit Consortium encompasses the examination and evaluation of the adequacy and effectiveness of each organisation's governance, risk management and internal control processes in relation to each organisation's defined goals and objectives.

15. The Audit Consortium's remit covers all functions and services for which the Councils are responsible and this extends to the entire control environment of the organisations and not just financial controls.

16. The Consortium will objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

17. The internal audit service will be delivered on the basis of a risk assessment of auditable areas at each of the partner authorities. A predominantly systems based approach to most audits will be adopted.

18. The internal control system comprises the whole network of systems established within each partner authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- Consistency of operations with established objectives and goals,
- The reliability and integrity of financial and operational information,
- The effectiveness and efficiency of operations and programmes,
- Safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption,
- Compliance with laws, regulations, policies, procedures and contracts,
- The economic and efficient use of resources (value for money) and effective monitoring systems and optimum use of performance management information.

19. With the introduction of the PSIAS, internal audit may also provide “consultancy” services. This work could take any form, provided that the independence of the service is not compromised, but will typically include special reviews or assignments where requested by management, which fall outside the approved plan and for which a contingency is included in the audit plan. There will be no significant consultancy work undertaken without the approval of the relevant Audit Committee.

<u>RESPONSIBILITIES AND REPORTING</u>

20. The PSIAS requires that the Internal Audit Charter should establish the responsibilities and reporting arrangements of internal audit.

21. The Head of Internal Audit reports directly to each Council’s Audit Committee and to each Chief Financial Officer. The Head of Audit also has direct access to each Council’s Chief Executive, Monitoring Officer and where necessary elected Members

22. The Head of Internal Audit will manage the provision of the Internal Audit service to each Council by: -

- Preparing each year in advance a risk based audit plan for discussion and agreement by each council's Client Officer and approval by the Audit Committee. Any in-year significant changes to the audit plan shall be agreed by the respective Client Officers and Audit Committees,
- Preparing the internal audit budget and resource plan for approval by the Joint Board,
- Presenting an annual report to each Council’s Audit Committee that meets the requirements of the PSIAS and includes:-
    - An overall opinion on the adequacy and effectiveness of the organisation’s control environment (including any qualifications to that opinion),

    - Presents a summary of the audit work from which the opinion is derived, including reliance placed on the work by other assurance bodies,
    - Draws attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
    - Compares work actually undertaken with work that was planned and to report relevant performance measures and targets.
- Presenting periodic reports to each Audit Committee summarising all internal audit reports issued and if considered necessary providing copies of the reports,
- Formally report the findings and recommendations of audit work to senior management and the respective Audit Committee throughout the year. Audit reports will:-
    - Include an audit opinion on the reliability of the internal controls in the system or area audited,
    - Identify inadequately addressed risks and non-effective control processes,
    - Detail management's response and timescale for corrective action,
    - Identify issues of good practice.
- Ensuring audit work is supervised, reviewed, recorded and reported,
- Implementing a follow up process for ensuring the effective implementation of audit recommendations or ensuring senior management are aware of the consequences of not implementing a recommendation and are prepared to accept the risk,
- Liaising as needed with the External Auditor for each Council and with other regulators,
- Maintaining and managing a risk assessment in relation to the functions of the Consortium,
- Ensuring that there is an up to date Audit Manual in place setting out expected standards for the service, and monitoring compliance with these standards, including in relation to the planning, conduct, quality assurance and reporting of audit assignments.

23. Senior managers should assist audit to discharge their duties by:

- The prompt provision of information and explanations,
- Providing input to the audit plan to ensure attention is focused on areas of greatest risk,
- Informing the Audit Consortium of any plans for change, including new systems,
- Responding to the draft internal audit report, including provision of management responses to recommendations, within the timescale requested by the audit team,
- Implementing agreed management actions in accordance with agreed timescales,

24. The respective Audit Committees must:

- Approve the Internal Audit Charter,
- Approve the risk based internal audit plan,

- Receive progress reports and an annual report from the Head of the Audit Consortium in respect of the audit plan,
- Approve any large variances or consulting services not already included in the audit plan.

25. The Joint Board will:

- Approve the internal audit budget and outturn.

AUDIT RESOURCES

26. The Chief Financial Officer at each Council will ensure that the Audit Consortium has the necessary resource to enable the Head of the Audit Consortium to be able to give an annual evidence-based opinion.

27. The staffing and budget of the Internal Audit Consortium will be kept under review by the Head of Internal Audit, bearing in mind the resource requirements identified in the audit plan process. Where resources available do not match the resource requirements identified by the annual audit plans, the Head of the Internal Audit Consortium will report to the Joint Board.

28. The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Head of Internal Audit will ensure that the internal audit service is appropriately skilled in terms of qualifications, knowledge and experience.

QUALITY AND ASSURANCE PROGRAMME

29. The PSIAS state that a quality assurance and improvement programme must include both internal and external assessments. Internal assessments should be ongoing and periodical and external assessments must be undertaken at least once every 5 years.

30. All internal audits are subject to a management quality review. Policies and procedures to guide staff in performing their duties have been established within the audit manual.

31. The internal periodic self- assessment of internal audit will be undertaken by completing the checklist for assessing conformance with the PSIAS included within the PSIAS Application Note.

32. External assessment can be satisfied by either arranging a full external assessment or by undertaking a self- assessment with independent validation. External assessments must be by a qualified, independent assessor from outside the organisations. The Head of the Audit Consortium must discuss the format of the external assessments and the qualifications and independence of the assessor with the Audit Committee.

33. An external assessment of the internal audit function will take place at least once every 5 years and the results reported back to the Audit Committee of each Council.

34. The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

INDEPENDENCE , AUTHORITY AND ETHICS

35. In order to achieve its objectives effectively, Internal Audit must be seen to be independent. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that no quality compromises are made.

36. The scope of internal audit allows for unrestricted access at each partner authority to all records, personnel, premises and assets deemed necessary to obtain information and explanations as it considers necessary to fulfil its responsibilities in the course of the audit. Such access shall be granted on demand and not subject to prior notice.

37. This right of access is included in the agreement signed by the three authorities establishing the Internal Audit Consortium and in each authority's Financial Regulations. In addition, where necessary, the Head of the Internal Audit Consortium will have unrestricted access at each authority to:

    - The Chief / Deputy Chief Executive
    - The Chief Financial Officer
    - Members
    - The Monitoring Officer
    - The Chair and Members of the Audit Committee
    - Individual Directors / Heads of Service
    - All Other Employees
    - The External Auditor

38. The Head of the Internal Audit Consortium will confirm to the Audit Committees' at least annually, the organisational independence of the internal audit activity.

39. Independence is further achieved by:

- Reporting to the Audit Committee and senior management at each authority,
- Not being part of system and procedures being audited,
- Rotating responsibility for audit assignments within the audit team,
- Completing declaration of interest forms on an annual basis,
- Internal Audit staff not undertaking an audit in an area where they have had operational roles for at least two years.

40. If any member of the Internal Audit Consortium considers there is or could be a conflict of interest, this must be declared to the Head of Internal Audit who will direct alternative and independent resources to the audit.

41. Where internal audit staff are required to undertake non-audit duties, the Head of Audit will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Head of Audit will ensure that within the service there remains sufficient impartiality to enable the actions and activities of those internal audit staff to be subject to audit by those independent from the activity.

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42. Internal auditors must conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Ethics in addition to those of other professional bodies of which they hold membership.

43. The Code of Ethics promotes an ethical, professional culture to ensure fairness, objectivity and freedom from conflicts of interest. The key principles are;
    - Integrity – to establish trust thus providing reliance on their judgement;
    - Objectivity – in gathering, evaluating and communicating information about the activity or process being examined in order to make a balanced assessment of all relevant circumstances without influence;
    - Confidentiality – to respect the value and ownership of information received which should not be disclosed without appropriate authority or a legal or professional obligation to do so, nor be used for personal gain; and
    - Competence – to apply knowledge, skills and experience appropriately.

FRAUD AND CORRUPTION

44. Managing the risk of fraud and corruption is the responsibility of management. Each Council has an Anti- Fraud and Corruption strategy and has adopted a zero tolerance policy towards fraud.

45. The Head of the Internal Audit Consortium should be notified of all suspected or detected fraud, corruption or impropriety in accordance with each Council's Financial Regulations and Anti- Fraud and Corruption strategies, in order to inform their opinion of the internal control environment.

46. Subject to availability of resources with the internal audit plan, internal audit may assist management in the investigation of suspected fraud and corruption.

47. The Head of the Internal Audit Consortium will report any instances of fraud detected as a result of audits undertaken to the Audit Committee.

REVIEW OF THE INTERNAL AUDIT CHARTER

48. The Internal Audit Charter will be reviewed every 2 years by the Head of the Internal Audit Consortium and will be reported to each Council's Audit Committee for approval.

FOR PUBLICATION

TREASURY MANAGEMENT ANNUAL REPORT 2014/15 AND MONITORING REPORT 2015/16

MEETING:	(1)	COUNCIL
	(2)	STANDARDS & AUDIT COMMITTEE
	(3)	CABINET
	(4)	DEPUTY LEADER AND CABINET MEMBER FOR PLANNING
DATE:	(1)	14 OCTOBER 2015
	(2)	23 SEPTEMBER 2015
	(3)	22 SEPTEMBER 2015
	(4)	14 SEPTEMBER 2015
REPORT BY:	CHIEF FINANCE OFFICER	
WARD:	ALL	
FORUM	ALL	
DECISION REF:	Non-Key 42	

FOR PUBLICATION

BACKGROUND PAPERS
Local Government Act 2003, CIPFA Prudential Code & Guidance, Accountancy Services' final accounts working papers.

1. PURPOSE OF REPORT

1.1 To consider the Annual Treasury Management Report for 2014/15.

1.2 To consider the Treasury Management activities for the first five months of 2015/16.

2. RECOMMENDATIONS

2.1 That the **Council** is recommended to:

(i) Note the outturn Prudential Indicators for 2014/15;
(ii) Note the treasury management stewardship report for 2014/15;

(iii) Note the treasury management position for the first five months of 2015/16;
(iv) Approve the proposed changes to the investment arrangements and limits (Section 5).

2.2 That the **Cabinet** considers the report and recommends it, with any proposed changes, to the full Council for approval.

2.3 That **Standards and Audit Committee** scrutinizes the report and proposes any changes to the full Council.

3. BACKGROUND

3.1 The Council's Treasury Management Strategy requires the full Council to receive three treasury reports each financial year; the Strategy report before the start of each financial year, an annual report for the previous financial year and a mid-year review for the current year.

3.2 The Annual Report for 2014/15 is attached at Annexe 1. The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

3.3 Following the Icelandic banks collapse in 2008 the regulatory framework places a much greater emphasis on the review and scrutiny by Members of treasury management activities. The attached report provides details of the treasury management activities in 2014/15 and confirms compliance with the Council's approved policies. The report will also be scrutinised by the Standards and Audit Committee prior to consideration by the full Council.

4. SUMMARY OF THE ANNUAL REPORT

4.1 During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2013/14 Actual £'000	2014/15 Revised £'000	**2014/15 Actual £'000**
Actual capital expenditure	19,197	20,933	**23,425**
Capital Financing Requirement:			
- General Fund	10,660	12,761	**13,627**
- HRA	140,540	138,432	**138,482**
- Total	151,200	151,193	**152,109**
External debt	144,967	140,535	**140,046**
Investments – under 1 year	19,962	24,839	**20,896**
1 year and above	3,160	-	**3,266**
Net borrowing	121,845	115,696	**115,884**

4.2 Other prudential and treasury indicators are to be found in Annexe 1. The Chief Finance Officer also confirms that borrowing over the medium term is only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit), was not breached in 2014/15.

4.3 The financial year 2014/15 continued the challenging environment of low investment return. There was a large differential between borrowing and investments rates during the year.

4.4 Investments – The majority of the Council's investment funds were managed externally by Investec during 2014/15. In their performance monitoring report for the quarter ended 31st March 2015 Capita, the Council's treasury advisers, commented on Investec's performance as follows:
"The fund had a successful year as it outperformed its benchmark in 3 out of 4 quarters. Performance continues to be driven by rising market value of the gilt as the fund continues to keep the rest of its book in strongly rated, short dated deposits. Increasing volatility in the fixed income market has suggested though that ongoing reliance on the gilt to bolster performance could be risky. However the fund manager is actively exiting this form of management which will likely mean that future market conditions will not be an issue for the portfolio going forward."

4.5 Borrowing – in terms of activity during the year on the Council's debt portfolio:

- No new long term borrowing was undertaken; &
- Loan repayments of £1m were made.

5. 2015/16 MID YEAR REVIEW

5.1 Annual Investment Strategy

In accordance with the Cipfa Code and the Council's Investment Strategy, the investment priority is to ensure security and liquidity of capital, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate with the Bank Rate at just 0.5% investment returns are at a historically low level. The continuing uncertainty of economic recovery and the geo-political uncertainties, prompts a low risk and short term strategy. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31.08.2015.

5.2 Internally Managed Cash Balance

In the first quarter of the year the interest rates achieved were below those assumed when setting the budget (0.71% against 0.8%). The net average internal investment balance has been higher than the assumptions in the original budget and the net internal investment returns are forecast to be £6,000 below the original budget target for the year.

5.3 Performance of External Fund Manager

In the first quarter of 2015/16, our external fund manager Investec announced their withdrawal of services to the local government sector and in July, the £21m portfolio managed by them was returned to the Council. Of this, £14.6m was returned directly to the Council and was then invested in an Enhanced Money Market fund by the in-house team. The remainder, related to two investments with some time to run to maturity and these were transferred into a custodian account with King Shaxon Limited, the leading supplier of transferrable securities to UK Local Authorities. A review of the strategy for the longer term management of our investments is currently underway and will be reported later in the year.

5.4 Borrowing activities in the period:

- No new long term borrowing has been undertaken;
- No repayments of principal have yet been made; &
- No debt rescheduling was undertaken.

5.5 Compliance with Treasury & Prudential Limits

Due to the unexpected withdrawal of Investec as our fund managers we had to place £14.6m in an Enhanced Money Market Fund that was in place at the time of the transfer. This is a highly diversified fund which is regarded as highly secure as it has a triple “A” investment rating. We are, therefore, seeking retrospective approval for the limit for Enhanced Cash/Short Dated Bond Funds to be increased from £5m to £15m.

All other treasury limits and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement and in compliance with the Council’s Treasury Management Practices have been maintained.

The main Prudential Indicators relating to borrowing are:

- Authorised Borrowing Limit – the limit for the year was set at £151m, the limit has not been breached.
- Operational Boundary – this was set at £140.6m for the year, again the limit has not been breached.

6. RECOMMENDATIONS

6.1 That the **Council** is recommended to:

(i) Note the outturn Prudential Indicators for 2014/15;
(ii) Note the treasury management stewardship report for 2014/15;
(iii) Note the treasury management position for the first five months of 2015/16;
(iv) Approve the proposed changes to the investment arrangements and limits (Section 5).

6.2 That the **Cabinet** considers the report and recommends it, with any proposed changes, to the full Council for approval.

6.3 That **Standards and Audit Committee** scrutinizes the report and proposes any changes to the full Council.

7. REASON FOR RECOMMENDATION

8.1 To comply with the Council’s Treasury Management Policy and Practices, the CIPFA Code of Practice on Treasury Management (2009) and the CIPFA Prudential Code for Capital Finance in Local Authorities (2009).

B DAWSON
CHIEF FINANCE OFFICER

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no officer recommendation.   Signed: Executive Member Date Consultee Executive Member/Support Member comments (if applicable) /declaration of interests.

Further information on this matter can be obtained from
Barry Dawson, Chief Finance Officer (ext. 5451).

Annual Treasury Management Review
2014/15

Annual Treasury Management Review 2014/15

1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 27/02/2014)
- a mid-year (minimum) treasury update report (Council 15/10/2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Standards & Audit Committee before they were reported to the full Council.

2. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election in May 2015.

3. Overall Treasury Position as at 31 March 2015

The Council’s debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council’s Treasury Management Practices. At the beginning and the end of 2014/15 the Council‘s treasury position was as follows:

TABLE 1	31 March 2014 Principal £000	Rate/ Return %	Average Life years	31 March 2015 Principal £000	Rate/ Return %	Average Life years
General Fund:						
Long term debt	**4,298**	**6.21**	**10.1**	**4,097**	**6.13**	**9.5**
CFR	**10,660**			**13,627**		
Over / (under) borrowing	**(6,362)**			**(9,530)**		
Short term debt	**5,060**	**0.39**		**2,000**	**0.35**	
HRA:						
Long term debt	**135,609**	**3.92**	**23.8**	**133,949**	**3.89**	**23.1**
CFR	**140,540**			**138,482**		
Over / (under) borrowing	**(4,931)**			**(4,533)**		
Total investments	**23,122**	**0.34**		**24,162**	**0.96**	
Net debt	**121,845**			**115,884**		

4. The Strategy for 2014/15

The Council's overall core borrowing strategy is as follows:-

- To reduce the revenue costs of debt
- To manage the Council's debt maturity profile, leaving no one future year with a high level of repayments that might cause problems in re-borrowing
- To secure funding at the cheapest cost commensurate with future risk
- To reschedule debt in order to take advantage of potential savings as interest rates change. Any reschedule exercise will be considered in terms of the premiums and discounts on the General Fund and HRA.
- To manage the day to day cash flow of the Authority in order to, where possible, negate the need for short term borrowing.

The Chief Finance Officer will take the most appropriate form of borrowing depending on prevailing interest rates at the time. It is likely that short term fixed rates may provide lower cost opportunities in the short/medium term.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and offset the expected fall in investment returns.

Change in strategy during the year – the strategy adopted in the original Treasury Management Strategy Report for 2014/15 approved by the Council on 27/02/2014 was subject to revision during the year. Counterparty limits for UK part nationalized banks were increased and specified and non-specified investments previously available only to the external fund managers were extended to be available to the in-house investment team too. These changes were made to provide increased flexibility in terms of the amounts that could be invested and the range of financial instruments available.

5. The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2014/15 and prior years' net or unfinanced capital expenditure that has not yet been charged to revenue or other resources.

Part of the Council's treasury activities is to address the funding requirement for this borrowing need. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

The General Fund element of the CFR is reduced each year by a statutory revenue charge.

The total CFR can also be reduced by:

- The application of additional capital financing resources (such as capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP)

CFR: General Fund	31 March 2014 Actual £000	31 March 2015 Revised £000	31 March 2015 Actual £000
Opening balance	8,357	10,660	10,660
Add unfinanced capital expenditure	2,620	2,485	3,351
Less MRP/VRP	(317)	(384)	(384)
Closing balance	10,660	12,761	13,627

CFR: HRA	31 March 2014 Actual £000	31 March 2015 Revised £000	31 March 2015 Actual £000
Opening balance	142,680	140,540	140,540
Add unfinanced capital expenditure	-	-	50
Less MRP/VRP	(2,140)	(2,108)	(2,108)
Closing balance	140,540	138,432	138,482

6. Borrowing Outturn for 2014/15

Borrowing – There was no new long term borrowing during the year.

Rescheduling - No rescheduling was undertaken during the year.

Repayments – Repayments of £1m were made in the year.

Interest payable on borrowing	2013/14 Actual £000	2014/15 Revised £000	2014/15 Actual £000
General Fund	541	552	522
HRA	5,440	5,183	5,152

7. Investment Outturn for 2014/15

Investment Policy – the Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the Council on 27/02/2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

Investments held by the Council - the Council maintained an average balance of £8.1m of internally managed funds. The internally managed funds earned an average rate of return of 0.65%. The comparable performance indicator is the average 7-day LIBID rate (uncompounded), which was 0.35%. This compares with a budget assumption of £7.9m investment balances earning an average rate of 0.65%.

Investments held by fund managers – the Council used Investec Asset Management as external fund managers to invest part of its cash balances. The performance of the managers against the benchmark return was:

Fund Manager	Investments Held	Return	Benchmark*
Investec	£21.7m	0.89%	0.37 %

This compares with a budget assumption of average investment balances of £21.7m at 0.8% investment return. Investec announced that they were leaving the local authority market in the first quarter of 2015/16, and all balances were returned to the Council in July 2015.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2013/14	2014/15	2014/15
Extract from budget and rent setting report	**actual**	**revised**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
General Fund	6,458	7,933	8,002
HRA	12,739	13,000	15,423
TOTAL	19,197	20,933	23,425
Ratio of financing costs to net revenue stream			
General Fund	4.53%	4.76%	4.50%
HRA	15.31%	13.82%	13.80%
Gross borrowing requirement General Fund			
brought forward 1 April	8,638	9,358	9,358
carried forward 31 March	9,358	6,097	6,097
in year borrowing requirement	720	(3,261)	(3,261)
Gross borrowing requirement HRA			
brought forward 1 April	138,104	135,609	135,609
carried forward 31 March	135,609	133,949	133,949
in year borrowing requirement	(2,495)	(1,660)	(1,660)
Gross debt	144,967	140,535	140,046
CFR			
General Fund	10,660	12,761	13,627
HRA	140,540	138,432	138,482
TOTAL	151,200	151,193	152,109
Annual change in Cap. Financing Requirement			
General Fund	2,303	2,101	2,967
HRA	(2,140)	(2,108)	(2,058)
TOTAL	163	(7)	909

2. TREASURY MANAGEMENT INDICATORS	2013/14	2014/15	2014/15
	actual	revised	actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
borrowing	161,500	156,000	156,000
other long term liabilities	-	-	-
TOTAL	161,500	156,000	156,000
Operational Boundary for external debt -			
borrowing	150,250	145,000	145,000
other long term liabilities	-	-	-
TOTAL	150,250	145,000	145,000
Actual external debt	144,967	140,535	140,046
Maximum HRA debt limit	155,612	155,612	155,612
Upper limit for fixed interest rate exposure	50-100%	50-100%	50-100%
Upper limit for variable rate exposure	0-50%	0-50%	0-50%
Upper limit for total principal sums invested for over 364 days (per maturity date)	25%	25%	25%

Maturity structure of fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	75%	5%
10 years and above	75%	25%

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