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The Chair and Members of Standards and Audit Committee

14 September 2016

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 21 SEPTEMBER 2016 at 2.00 pm in Committee Room 2, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

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

2. Apologies for Absence

3. Minutes (Pages 3 - 8)

   Minutes of the Meeting of the Standards and Audit Committee held on 22 June, 2016.

4. Treasury Management Report 2015/16 & Monitoring Report 2016/17 (Pages 9 - 24)

5. Audit Report on 2015/16 Statement of Accounts (Pages 25 - 210)

6. Anti-Fraud, Bribery and Corruption Strategy (Including Money Laundering Policy) (Pages 211 - 236)

7. Fighting Fraud and Corruption Locally (Pages 237 - 250)

8. Outstanding Internal Audit Recommendations (Pages 251 - 274)

9. Progress Report on Implementation of Audit Recommendations - Non-Housing Property Repairs (Pages 275 - 278)

10. Local Government Act 1972 - Exclusion of Public

    To move "That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act".

11. Summary of Internal Audit Reports Issued 2016/17 (Pages 279 - 306)

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE

Wednesday, 22nd June, 2016

Present:-

Councillor Rayner (Chair)

Councillors	A Diouf Caulfield	Councillors	Derbyshire

*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 Brown and Sarvent.

3 MINUTES

RESOLVED –

That the minutes of the Standards and Audit Committee meeting held on 6 April, 2016 be approved as a true record.

4 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED - JUNE 2016

The Internal Audit Consortium Manager presented a report summarising the Internal Audit reports issued during the period 10 March, 2016 to 20 May, 2016 in respect of reports issued relating to the 2015/16 and 2016/17 internal audit plans.

The Committee noted that the classification of the reliability of internal controls was ‘good’ in two cases, ‘satisfactory’ in three cases, ‘marginal’ in one case (procurement) and ‘unsatisfactory’ in two cases (data protection and non-housing property repairs). No issues in respect of fraud had been identified.

It was explained that there had been some progress in respect of procurement since the previous ‘unsatisfactory’ classification following the Council joining the shared NHS based procurement service with other local authorities. Work had commenced on a combined Procurement Strategy, a forward plan of future procurements had been put in place and working arrangements were being embedded. Further training for Council staff involved in procurement was being arranged to be held from September.

In respect of data protection it was explained that whilst there had been some improvements since the audit in 2015, further work was required to ensure that all recommendations were implemented. Responsibility at Corporate Management Team level would be taken by the recently appointed Customer, Commissioning & Change Manager, working with the Monitoring Officer as the Council’s Information Risk Owner. An Information Assurance Officer was due to take up post in July to progress the production of an Information Governance Framework and development plan, including updated policies and focused training. It was noted that consideration would need to be given to the European Data Protection Regulations to be implemented by 2018.

It was suggested that a full list of procurements and instances of procurement standing orders being waived could be provided for the Committee.

In respect of non-housing property repairs it was noted that a draft programme was in place and that the Corporate Asset Management Group would be taking a more active role in steering this.

The Committee asked that progress reports be provided in respect of non-housing property repairs at its September meeting and in respect of data protection at its November meeting. It also requested that the full audit report be provided to the Committee where there was a ‘marginal’ classification and that the relevant officers be asked to attend the Committee where there was an ‘unsatisfactory’ classification.

***RESOLVED –**

(1) That the report be noted.

(2) That progress on the implementation of the audit recommendations in respect of non-housing property repairs be reported to the next meeting of the Committee in September.

(3) That progress on the implementation of the audit recommendations in respect of data protection be reported to the November meeting of the Committee.

(4) That when the summary of internal audit reports is presented to the Committee in future the full audit report be provided where there was a 'marginal' classification and that the relevant officers be asked to attend where there was an 'unsatisfactory' classification.

(5) That a full list of procurements and instances of procurement standing orders being waived be provided for the Committee.

5 **INTERNAL AUDIT CONSORTIUM ANNUAL REPORT - 2015/16**

The Internal Audit Consortium Manager presented the Internal Audit Consortium Annual Report in respect of Chesterfield Borough Council for 2015/16.

The report covered:

- a summary of the internal audit work undertaken during 2015/16 – 32 reports completed, with 84.4% receiving a 'good' or 'satisfatory' opinion;

- an opinion on the overall adequacy and effectiveness of the Council's control environment, which was generally found to be operating satisfactorily or well;

- any issues for inclusion in the Annual Governance statement – data protection, non-housing property repairs, and procurement had been included as significant governance issues, and areas for improvement in respect of IT provision and security had been raised;

- a comparison of actual work undertaken with planned work – 100% of planned audits had been completed;

- comments on compliance with the Public Sector Internal Audit Standards (PSIAS) and on the results of the quality assurance programme – a self-assessment had confirmed that there were no significant areas of non-compliance with PSIAS;

- a review of progress against the Internal Audit Improvement Plan and a new improvement plan – the existing improvement plan had been completed, with the exception of the external review of internal audit, which would now take place later in the year;

- confirmation of the organisational independence of internal audit;

- confirmation that the performance of the Internal Audit Consortium had met the requirements of the current Internal Audit Charter.

In response to questions from Members, it was confirmed that regular reports were provided to the Corporate Management Team (CMT) on outstanding audit recommendations, and it had been agreed that Internal Audit and CMT would take a more active role in monitoring the implementation of audit recommendations. It was noted that Internal Audit worked with managers in prioritising and agreeing realistic timescales for implementation of recommendations and identifying any resource implications.

***RESOLVED –**

(1) That the Internal Audit Consortium Annual Report for 2015/16 be noted.

(2) That it be noted that the issue of implementing internal audit recommendations in a timely fashion had been raised at CMT and measures discussed to improve the situation.

(3) That Internal Audit report progress on the implementation of audit recommendations to Standards and Audit Committee, in addition to CMT.

6 INTERNAL AUDIT CHARTER

The Internal Audit Consortium Manager presented a report recommending the approval of the updated Internal Audit Charter following revision of the Public Sector Internal Audit Standards (PSIAS) in April 2016.

The Internal Audit Charter had most recently been approved by Standards and Audit Committee in September 2015 (Minute No. 18 (2015/16)), when it had been agreed that the Charter would be reviewed every two years.

However, the PSIAS had been updated in April 2016 to introduce a mission statement for internal audit and to adopt ten core principles for the professional practice of internal auditing. The Internal Audit Charter had therefore been updated to reflect these changes and was attached as an appendix to the report.

***RESOLVED** –

(1) That the outcome of the review of the Internal Audit Charter be noted.

(2) That the updated Internal Audit Charter be agreed.

(3) That the Internal Audit Charter be reviewed in two years' time, or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

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

The Internal Audit Consortium Manager presented a report to review compliance with the Code of Corporate Governance requirements during 2015/16 and to present the Annual Governance Statement and associated action plan.

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

The report gave details of:

- The Annual Review of compliance with the Local Code of Corporate Governance requirements for 2015/16 (attached as an appendix to the report), showing that compliance had largely been achieved, with those areas of partial compliance being addressed in the Annual Governance Statement Action Plan;

- The Annual Governance Statement and associated Action Plan (attached as appendices to the report) – the Plan would be monitored by Corporate Management Team with a six-monthly report to Standards and Audit Committee.

***RESOLVED** -

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

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

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

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

8 **EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

Mr Tony Crawley of KPMG presented the external audit progress report as at June 2016 and a technical update on recent publications from KPMG, the National Audit Office and CIPFA and announcements from the Department for Communities and Local Government.

The audit of the final accounts was due to commence in July and would focus on the material disclosures within the financial statements and significant risks around new bank accounts and National Non-Domestic Rates appeals provisions.

Risk assessment on the value for money conclusion was ongoing and would focus on the arrangements in place to maintain the Council's record of meeting efficiency savings to address national funding changes.

***RESOLVED –**

That the External Audit Progress Report be noted.

For Publication

TREASURY MANAGEMENT ANNUAL REPORT 2015/16 AND MONITORING REPORT 2016/17

Meeting:	(1) Standards & Audit Committee (2) Council
Date:	(1) 21 September 2016 (2) 12 October 2016
Cabinet portfolio:	Deputy Leader
Report by:	Acting Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To consider the Annual Treasury Management Report for 2015/16.

1.2 To consider the Treasury Management activities for the first five months of 2016/17.

2.0 Recommendations

2.1 That the **Council** is recommended to:

(i) Approve the outturn Prudential Indicators for 2015/16;
(ii) Approve the treasury management stewardship report for 2015/16;
(iii) Note the treasury management position for the first five months of 2016/17.

2.2 That **Standards and Audit Committee** scrutinizes the report and makes recommendations to the full Council for consideration.

3.0 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 2015/16 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 2015/16 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.

4.0 Summary of the Annual Report

4.1 During 2015/16, 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	2014/15 Actual £'000	2015/16 Revised £'000	**2015/16 Actual £'000**
Actual capital expenditure	23,425	30,869	**26,480**
Capital Financing Requirement:			

Actual prudential and treasury indicators	2014/15 Actual £'000	2015/16 Revised £'000	**2015/16 Actual £'000**
- General Fund	13,627	14,796	**14,450**
- HRA	138,482	136,405	**136,405**
- Total	152,109	151,201	**150,855**
External debt	140,046	139,317	**137,659**
Investments – under 1 year	20,896	23,387	**21,871**
1 year and above	3,266	-	**3,270**
Net borrowing	115,884	115,930	**112,518**

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 2015/16.

4.3 The financial year 2015/16 continued the challenging environment of low investment return. There was a large differential between borrowing and investments rates during the year.

Investments – 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 will be undertaken during 2016/17.

The in-house team managed average balances of £12.9m earning an average rate of return of 1.18%.

Borrowing – in terms of activity during the year on the Council's debt portfolio:

- No new long term borrowing was undertaken; &
- Loan repayments of £2m were made.

5.0 **Mid Year Review 2016/17**

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 having recently been reduced to just 0.25%, 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 31.08.2016.

5.2 Internally Managed Cash Balance

In the first quarter of the year the interest rates achieved were higher than those assumed when setting the budget (1.20% against 0.82%). The net average internal investment balance has been lower than the assumptions in the original budget but the net internal investment returns are £22,400 better than forecast for the first quarter of the year.

5.3 However the reduction in bank base rates in August 2016 and the continuing uncertainty on the impact of the UK leaving the European Union, means that investment rates are falling and it is unlikely that this level of performance will be maintained during the remainder of 2016/17. The budget forecast for investment income will be reviewed as part of the revised budget process in the Autumn.

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

All 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 £150m, the limit has not been breached.
- Operational Boundary – this was set at £139.32m for the year, again the limit has not been breached.

5.6 Treasury Management Consultants

The Council has recently tendered for its Treasury Management advice service and is expected to award the tender in September. A verbal update will be given at the meeting.

6.0 Treasury Management Indicators 2016/17

Amendments to the 2016/17 General Fund capital programme will be considered by Council in October. Further prudential borrowing may be necessary and this additional borrowing will require an adjustment to the Prudential Indicators (PI's) approved as part of the Treasury Management Strategy Statement in February. The PI's detailed below will need to be amended:-

- General fund Capital Expenditure & Financing
- General Fund Capital Financing Requirement
- Operational Boundary
- Authorised Limit

These amended PI's will be reported to Cabinet as part of the budget monitoring report in the autumn.

7.0 Recommendations

7.1 That the **Council** is recommended to:

(i) Approve the outturn Prudential Indicators for 2015/16;

(ii) Approve the treasury management stewardship report for 2015/16;

(iii) Note the treasury management position for the first five months of 2016/17.

7.2 That **Standards and Audit Committee** scrutinizes the report and makes recommendations to the full Council for consideration.

8.0 Reasons for recommendations

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).

Decision information

Key decision number	61
Wards affected	All
Links to Council Plan priorities	

Document information

Report author	**Contact number/email**
Helen Fox	01246 345452 helen.fox@chesterfield.gov.uk
Background documents Local Government Act 2003, CIPFA Prudential Code & Guidance, Accountancy Services' final accounts working papers.	
Annexes to the report	
Annexe 1	Annual Treasury Management Review 2015/16

Annual Treasury Management Review 2015/16

Annual Treasury Management Review 2015/16

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 2015/16. 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 2015/16 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26/02/2015)
- a mid-year (minimum) treasury update report (Council 14/10/2015)
- 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 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

Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.

The ECB commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.

As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.

The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

3. Overall Treasury Position as at 31 March 2016

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 2015/16 the Council‘s treasury position was as follows:

TABLE 1	31 March 2015 Principal £000	Rate/ Return %	Average Life years	31 March 2016 Principal £000	Rate/ Return %	Average Life years
General Fund:						
Long term debt	**4,097**	**6.13**	**9.5**	**3,752**	**6.07**	**9.3**
CFR	**13,627**			**14,450**		
Over / (under) borrowing	**(9,530)**			**(10,698)**		
Short term debt	**2,000**	**0.35**		**2,500**	**0.50**	
HRA:						
Long term debt	**133,949**	**3.89**	**23.1**	**131,407**	**3.85**	**22.5**
CFR	**138,482**			**136,405**		
Over / (under) borrowing	**(4,533)**			**(4,998)**		
Total investments	**24,162**	**0.96**		**25,141**	**0.77**	
Net debt	**115,884**			**112,518**		

4. The Strategy for 2015/16

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.

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 2015 Actual £000	31 March 2016 Revised £000	31 March 2016 Actual £000
Opening balance	10,660	13,627	13,627
Add unfinanced capital expenditure	3,351	1,498	1,152
Less MRP/VRP	(384)	(329)	(329)
Closing balance	13,627	14,796	14,450

CFR: HRA	31 March 2015 Actual £000	31 March 2016 Revised £000	31 March 2016 Actual £000
Opening balance	140,540	138,482	138,482
Add unfinanced capital expenditure	50	-	-
Less MRP/VRP	(2,108)	(2,077)	(2,077)
Closing balance	138,482	136,405	136,405

6. Borrowing Outturn in 2015/16

Borrowing – There was no new long term borrowing during the year.

Rescheduling - No rescheduling was undertaken during the year.

Repayments – Repayments of £2m were made in the year.

Interest payable on borrowing	2014/15 Actual £000	2015/16 Revised £000	2015/16 Actual £000
General Fund	522	507	497
HRA	5,152	5,107	5,050

7. Investment Outturn for 2015/16

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 26/02/15. 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 £12.9m of internally managed funds. The internally managed funds earned an average rate of return of 1.18%. This compares with a budget assumption of £12.2m investment balances earning an average rate of 0.8%.

Investments held by fund managers – the Council used Investec Asset Management as external fund managers to invest part of its cash balances. The company announced that it was 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	2014/15	2015/16	2015/16
Extract from budget and rent setting report	**actual**	**revised**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
General Fund	8,002	8,869	8,355
HRA	15,423	22,000	18,125
TOTAL	23,425	30,869	26,480
Ratio of financing costs to net revenue stream			
General Fund	4.50%	4.69%	4.52%
HRA	13.80%	13.12%	13.21%
Gross borrowing requirement General Fund			
brought forward 1 April	9,358	6,097	6,097
carried forward 31 March	6,097	7,910	6,252
in year borrowing requirement	(3,261)	1,813	155
Gross borrowing requirement HRA			
brought forward 1 April	135,609	133,949	133,949
carried forward 31 March	133,949	131,407	131,407
in year borrowing requirement	(1,660)	(2,542)	(2,542)
Gross debt	140,046	139,317	137,659
CFR			
General Fund	13,627	14,796	14,450
HRA	138,482	136,405	136,405
TOTAL	152,109	151,201	150,855
Annual change in Cap. Financing Requirement			
General Fund	2,967	1,169	823
HRA	(2,058)	(2,077)	(2,077)
TOTAL	909	(908)	(1,254)

2. TREASURY MANAGEMENT INDICATORS	2014/15	2015/16	2015/16
	actual	**revised**	**actual**
	£'000	**£'000**	**£'000**
Authorised Limit for external debt -			
borrowing	156,000	151,000	151,000
other long term liabilities	-	-	-
TOTAL	156,000	151,000	151,000
Operational Boundary for external debt -			
borrowing	145,000	140,050	140,050
other long term liabilities	-	-	-
TOTAL	145,000	140,050	140,050
Actual external debt	140,046	139,317	137,659
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 2015/16	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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<u>For publication</u>

Audit Report on the 2015/16 Statement of Accounts

Meeting:	Standards & Audit Committee
Date:	21st September 2016
Report by:	Acting Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To approve the Statement of Accounts for 2015/16.

1.2 To approve the 'Letter of Representation'.

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

2.0 Background

2.1 The Accounts and Audit Regulations require that:

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

CHESTERFIELD
BOROUGH COUNCIL

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 2015/16 on the 14th 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 £448k which reconciles to the breakeven position in the Statement of Accounts (page 23) as follows:

	£'000
Surplus in the year per 14th June report	**448**
Transfers to earmarked reserves	(448)
Net surplus/(deficit) in the year per SoA	-
General Fund Balance at the end of the year (Movement in Reserves statement page 23)	1,500

The main reasons for the surplus are set out in Appendix B of the 14th June Cabinet report.

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

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

3.0 Audited Statement of Accounts 2015/16

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 2016.

3.2 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2015/16.

The key statements are explained below.

3.3 **Movement in Reserves Statement** (SoA page 23) – 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 £33.9m at 31st March 2016 (page 23) are provided in Note 8 (page 50) and Note 41 (page 83). For example, the main elements of the Earmarked General Fund Reserves total of £10.4m include £1.6m capital reserves, £0.3m in the Invest-to-Save Reserve, £1.0m in the Service Improvement Reserve, £1.0m in the Budget Risk Reserve and £1.4m 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 £203.8m at 31st March 2016 are shown in Note 42 (page 84). For example, the Capital Adjustment Account (£247.8m) 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 44). The Pension Reserve (negative £61.0m, Notes 42 and 46) 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 25) 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 27) – 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 £422.5m. 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 43).
  - ⇒ Current assets and liabilities represent short-term amounts to be consumed, paid or received in the short-term.
  - ⇒ Long term borrowing £133.5m represents the money borrowed to finance capital expenditure over many years.
  - ⇒ Long Term Provisions £3.6m 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 £0.8m) have confirmed that the balances are adequate. Long-term provisions also includes an amount of £1.8m for the Council's share of successful rating appeals for Non Domestic Rates.
  - ⇒ Pensions - shows an estimated liability of £61.0m, 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 £33.9m – includes capital reserves (£1.6m), earmarked revenue reserves (£8.8m), General Fund balance (£1.5m) and the HRA balance (£20.5m).

⇒ Unusable Reserves (£203.8m) – these are statutory accounting adjustment accounts which are not available to the authority to finance services. Note 42 provides a breakdown and shows that the Revaluation Reserve increased by £3.8m, the Capital Adjustment Account increased by £8.1m and the negative Pensions Reserve reduced by £13.9m.

3.6 **Cash Flow Statement** (SoA page 28) - summarises the inflows and outflows of cash on all the Council's activities.

3.7 **Housing Revenue Account** (SoA page 98) - 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 £2.441m in the year which when added to the balance brought forward gives a balance carried forward of £20.5m. A healthy working balance is required to help finance pressures identified in the medium term business plan, notably the requirement to improve and maintain dwellings to the 'Decent Homes Standard'. Other key points to note include:

- The loss of rent due to vacant properties at 2.12% (Note 1);
- The number of dwellings fell to 9,487 by the end of the year, 68 properties were sold under the Right to Buy Scheme (Note 2);
- Rent arrears increased to £2.6m but a provision to cover the possible eventual write-off of £1.2m or 47% of these debts has been made.

3.8 **Collection Fund** (SoA page 104) - this account shows the amounts due from local council taxpayers and how these are distributed to the authorities in the area - £43.2m is collected but only £4.4m (10.37%) is for the Borough Council's services. The account also shows the amounts due from business ratepayers (£36.9m) and how this amount is distributed to other authorities in the area and central government – with only £14.7m (40.0%) for the Borough Council to retain to fund services.

3.9 **Disclosure Notes**

Contingent Liabilities – A contingent liability is generally a possible obligation that arises from past events but where the existence of the obligation is dependent (contingent) on future events not within the control of the authority. A contingent liability is not recognised in the accounting statements but is disclosed by way of a note to the accounts. Note 61 (page 96) gives details of all contingent liabilities.

3.10 **Annual Governance Statement** – as considered by this Committee on 22nd June 2016 is included in the SoA (pages 16-21).

4.0 Management Letter of Representation

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

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

5.0 Report to Those Charged With Governance

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

6.0 Recommendations

6.1 That the Committee approves the Statement of Accounts for 2015/16.

6.2 That the Committee approves the Management Letter of Representation.

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

7.0 **Reason for Recommendations**

7.1 To comply with statutory requirements

H FOX
ACTING CHIEF FINANCE OFFICER

Decision information

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

Document information

Report author	**Contact number/email**
Helen Fox	**01246 345452/helen.fox@chesterfield.gov.uk**
Background documents None	
Appendices to the report	
Annexe 1	Statement of Accounts 2015/16
Annexe 2	Cabinet Outturn report 2015/16
Annexe 3	Final ISA 260 report 2015/16
Annexe 4	Management letter of representation 2015/16

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CHESTERFIELD
BOROUGH COUNCIL

Statement of Accounts 2015/16

CONTENTS

NARRATIVE REPORT

AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL

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

Chesterfield is the second largest settlement in Derbyshire (Derby City is the largest). It is a relatively compact and mainly urban area. It is well known for its Parish Church, with its Crooked Spire. The M1 runs by the Borough's eastern boundary, while to the north and west there are sizeable areas of open countryside which lie in the North East Derbyshire Greenbelt. The Rother Valley runs from the south to the north through the Borough and contains many long established industrial environments, railways and the Chesterfield canal.

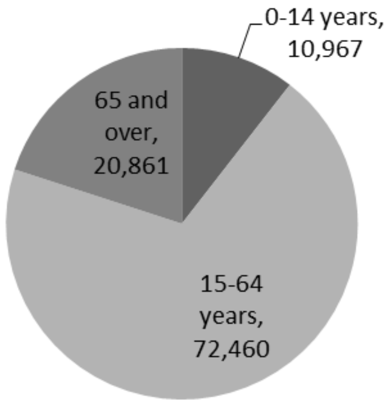
The market town of Chesterfield acts as the sub-regional centre for North Eastern Derbyshire and provides a range of retail, commercial, leisure and cultural facilities. The town is well located on the edge of the Peak District National Park and benefits from easy access to the surrounding cities of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

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

With the decline of the traditional industries in the area (coal, steel and heavy engineering), economic and environmental regeneration have become key priorities for the Council.

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

Population Profile –The Office for National Statistics Mid-Year Estimates for 2014 reported that Chesterfield's estimated population was 104,288 with the age profile as presented below:



Chesterfield's age profile is similar to that for all England.

Economic Profile – the economic data tells us:

- Chesterfield is the 85th most deprived area in England out of 326 English local authorities. There are significant concerns about entrenched and worsening deprivation in several Chesterfield neighbourhoods. There are 69 Lower Layer Super Output Areas (LSOAs) in Chesterfield (LSOA's are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales). Overall compared to England, 6 of the LSOAs are in the 10% worst deprived, and a further 13 LSOAs are in the 20% most deprived.
- Deprivation inequality has risen in Chesterfield Borough with the areas within the 10% least deprived in England improving their position across a range of domains and the 10% most deprived deteriorating.
- While employment deprivation has improved generally in Chesterfield Borough, a third of neighbourhoods within the Borough remain in the 20% most deprived in England. Two of our neighbourhoods, Grangewood and Holmehall have slipped down the rankings into the 1% most employment deprived areas in England.
- Health and disability is a major concern for Chesterfield Borough. The Borough is ranked the 25th most deprived in England for this domain with half of the LSOAs falling within the 20% most deprived within England.
- Despite extensive investment to grow Chesterfield's economy, these figures suggest that a significant percentage of our community cannot access the proceeds of growth due to a variety of factors including poor health, caring responsibilities, poor educational and skills attainment etc.

Political Structure in 2015/16 – the Council's policies are determined by its Politicians and implemented by the Management Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 7 May 2015 the Labour Party remained in control and the political make-up of the Council became:

	No. Councillors
Labour Party	38
Liberal Democrat Party	9
Independent	1
Total	48

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

Management Structure - The organisational management structure is headed by the Chief Executive Dr Huw Bowen. In 2015/16 the Chief Executive was supported by the Senior Leadership Team, consisting of two Executive Directors and the Chief Finance Officer. The Senior Team was in turn supported by 19 Service Managers, which together formed the Corporate Management Team.

A new Corporate Management structure is being implemented for 2016/17 with the Chief Executive, two Executive Directors, a Director of Resources and six Corporate Managers.

The new structure has been designed to meet the future challenges faced by the Council, ensuring that the required skills and capacity are in place.

Employees – the Council employed 702 full time equivalent staff as at the end of March 2016. The Council has developed a Workforce Strategy which recognises the value and importance of Council staff in delivering services and achieving the Council's priorities.

NON-FINANCIAL PERFORMANCE

The key document that frames the actions of the Council is the Corporate Plan. The Corporate Plan sets out the Council's Vision and Priorities, defining what we are trying to achieve and why. In 2015/16 the Council moved from the production of a one year plan to a four year strategic Council Plan. A four year Council Plan along with a revised medium term financial plan and a strengthened transformation programme is enabling the Council to plan effectively for the financial and policy challenges it faces.

The Corporate Plan is guided by the Council's Vision which is "**Putting Our Communities First".**

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

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

Council Plan 2015/16 commitment progress

There were 34 key commitments to be delivered during 2015/16. 29 (85%) of these commitments have been fully delivered and a further two are close to completion.

Where targets were set and comparisons to previous years available, two thirds of the key performance measures achieved or exceeded their target, the remaining third were within 10% tolerance. Half of the indicators improved upon 2014/15 results.

Key outputs and outcomes for 2015/16 include:

- A range of partnership activities contributing to a significant reduction (36%) in young people not in employment, education or training and a 9.6% rise in the number of businesses within the Borough
- Improving the high occupancy rates of town centre shops, now at 91%
- Launch of our new website, which focuses on improving user experience and access
- The completion of the £3 million supported housing scheme at Parkside. This scheme is now providing 22 high quality homes for older people
- Maintaining tenant satisfaction with their area as a place to live at over 80%
- Invested £32m in improving our housing stock
- Improvements to parks including a new play area at Circular Road and a new sports pavilion at Eastwood Park

- Opening of the new £11.25m Queen's Park Sports Centre. There have already been significant increases in customers accessing the facilities and improving their health and wellbeing
- Increasing the number of green flags for our parks and open spaces
- Agreed to implement the Living Wage for all Chesterfield Borough Council employees.

Commitments for year 2 of the Council Plan

Within the revised Council Plan there are 54 key commitments for year 2 of the plan 2016/17. The commitments include a number of regeneration schemes and actions to support the development of a sustainable budget. The progress towards these commitments will be monitored and challenged on a quarterly basis via the performance management framework. This includes progress reports for discussion at the Overview and Performance Scrutiny Forum.

Performance Management Framework

The new performance management framework was approved in July 2015 and was expected to take 18 months to two years to embed. During the first 10 months of this improvement programme the following activities have been delivered:

- Improved service planning with clear links to the Council Plan and employee personal development meetings
- Developed a suite of Council Plan, workforce, customers and communities and business critical activity
- A co-ordinated response to central government data requirements and information requests from other agencies
- Regular challenge of key performance data and Council Plan progress at the Overview and Scrutiny Forum
- Early consideration by senior management of potential performance challenges and the opportunity to develop mitigating action

The following elements of the performance management framework will be coming on stream during 2016/17:

- Full development of the balanced scorecard system.
- The implementation of corporate and service level performance reviews.
- Alignment of service plans and team plans for the new service structure.
- Co-ordination of benchmarking activities.
- Exploration of further sector led improvement opportunities with the East Midlands performance management group and via the LGA's Peer Challenge.

FINANCIAL PERFORMANCE

2015/16 Budget Process

Before the start of the 2015/16 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 finance 63% of the General Fund Budget requirement with the remaining 37% 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 £1.0million 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 2015/16 at £144.89 per annum for a Band 'D' property. The Budget was set at £11.0 million and financed as follows:

	Amount £'000	**Proportion of total**
Government Funding (Revenue Support Grant, retained business rates and other grants)	6,913	63%
Council Tax	4,025	36%
Council Tax Collection Fund Surplus	70	1%
Total Budget (after savings target)	11,008	100%

The budget for 2015/16 which was set in February 2015 showed a deficit of £680k before allowing for the planned savings target. A savings target of £586k was set leaving a balance of £94k to be financed from reserves or further savings. 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 Management During 2015/16

The established vacancy control arrangements which challenged the need to fill staffing vacancies as they arise continued during the year. Also all budgets, staffing and non-staffing, were regularly monitored throughout the year.

The forecast deficit improved from £94k at the start of 2015/16 to a surplus of £225k when revised budgets were approved in February 2016. The most significant budget variances, both increases and decreases, reported at the revised budget stage included:

Budget Savings - reduced expenditure/increased income:
Staffing savings £129k
Reduced energy costs £190k

Income from planning fees £181k
Additional grant income £65k
Leisure income £140k
Net of all other changes £51k

Budget Increases - increased expenditure/reduced income:
Reprofile of budget savings £286k
Income from commercial/industrial rents £151k

Revenue Budget Outturn

The position at the end of the year was a surplus of £448k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to the revised forecast surplus of £225k included:

- Increased income from planning service (+£135k);
- Reduced costs in Parks/Cemeteries (+£62k);
- Reduced costs in Leisure facilities e.g. Sports Centres/Theatre/Winding Wheel (+£195k);
- Increased rental income from industrial/commercial properties (+£38k)
- Net of all other variances (+£61k).
  Less:
- Housing benefits (-£191k);
- Insurance provision (-£77k).

Set out below is a summary of the outturn for 2015/16 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

Table: 2015/16 General Fund - Comparison of outturn with the original budget

	Original Budget £000	Actual £000	Variance £000
Portfolios:			
Leader - Regeneration	496	**470**	(26)
Deputy Leader - Planning	765	**266**	(499)
Town Centre & Visitor Economy	(347)	**(434)**	(87)
Housing	1,396	**1,415**	19
Health & Wellbeing	8,222	**8,590**	368
Governance	2,547	**2,533**	(14)
Business Transformation	1,124	**1,619**	495
Portfolio Net Expenditure	14,203	**14,459**	256
Transformation Savings*	(586)	**-**	586
Direct Service Organisations (surplus)/deficit	(36)	**(212)**	(176)
Other - Non-Portfolio Expenditure/(Income)	(180)	**(149)**	31
Service Expenditure	13,401	**14,098**	**697**
Interest & Capital Charges	(2,159)	**(3,289)**	(1,130)
Transfer to/(from) Reserves	(140)	**(489)**	(349)
Surplus/(Deficit) to/(from) Budget Risk Reserve	(94)	**448**	542
Total Expenditure	11,008	**10,768**	**(240)**

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

The General Fund Working Balance was reduced from £1.75m to £1.5m during 2015/16.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 23 and 25 presents this same information but in the format specified by the Code for external reporting purposes. A subjective analysis of this statement forms part of note 55 on page 89.

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,487 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 2015/16 is set out on pages 97 to 103 and shows an increase to the HRA balance of £2,444,445 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 (DSOs) during 2015/16 which generated a combined surplus of £253,773.

Full reports on individual DSOs are separately produced and may be obtained from the Chief Finance Officer.

Capital Spending in 2015/16

A summary of the capital expenditure and financing is shown in Note 24 to the core financial statements (page 68).

Capital expenditure on General Fund services totalled £8.6m. The main projects included:

- Queens Park Sports Centre - £6.0m
- Staveley Healthy Living Centre - £0.3m
- Winding Wheel/Theatre improvements - £0.1m
- House Renovation, Disabled Facilities and Decent Homes Grants - £1.1m
- Vehicles, Machinery & Information Technology - £0.8m
- Flood /Resilience - £0.1m
- Other - £0.2m

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £5.6m in 2015/16. The remainder was financed from capital receipts (£0.4m), reserves (£1.4m) and unsupported borrowing (£1.2m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £18.1m of which £12.0m was financed from the Major Repairs Reserve, £2.9m from capital receipts, £0.1m from grants and contributions and £3.1m from revenue balances.

Total long-term debt outstanding at the end of the year amounted to £133.5m. This should be viewed in relation to the Council's assets which have a net book value of £422m.

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 (£61.0m) 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 reduced its revenue working balance to £1.5m for the General Fund. The balance is based on an assessment of the key income and expenditure risks facing the Council.

In addition, the Council has set money aside in a number of earmarked reserves to meet planned future commitments. The earmarked reserves include £1.0m as a provision for significant revenue budget risks, £0.3m in an Invest to Save fund and £1.0m in a Service Improvement Reserve. (page 50).

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates which will be utilised in 2016/17 and 2017/18. The balance on this reserve is £1.4m.

There is a balance of £20.5m on the Housing Revenue Account at the year-end which will be needed in future years to finance capital improvement works and to help offset some of the budget pressures caused by recent changes in the Government's Housing Policies e.g. the 1% rent reduction each year for four years from 2016/17.

Medium Term Outlook

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

The Local Government Grant Settlement which was published in January provided final figures for 2016/17 and provisional figures for a further three years. The cut in the Council's Settlement Funding Assessment for 2016/17 is £0.7m or 13%. The Council will have the opportunity in October 2016 to submit an Efficiency Plan to the Government which, if accepted, will mean that the future years' provisional figures will become more secure. This will have the advantage of providing more certainty about the medium term funding position.

The medium term budget forecast produced in February 2016 showed a savings target of £1.3m in 2016/17 which peaks at £2.9m in 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. The transformation programme also includes a project to devise and implement an Operating Model for the Council to reflect the environment in which it currently operates. The project commenced in 2015/16 and one of the early outputs from that process has been the identification of some 'cease or reduce' options. Delivering significant savings in order to balance the budget over the medium term continues to be a major challenge and priority for the Council.

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

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

The Council has invested significant sums in recent years (from grant aid and its own resources) in improving the quality of income generating facilities such as the Winding Wheel, Pomegranate Theatre and the new Queen's Park Sports Centre. The results to date show that this strategy has been successful and will therefore continue to be used. For example, the Council has plans to undertake improvements to the Town Hall during 2016/17 which, by incorporating more modern working arrangements, will free up space to be let to other organisations and provide a rental income to 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 impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;

b) Changes to the key Central Government funding sources such as the New Home Bonus and the Business Rates Retention schemes.

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

The Council does have an adequate level of reserves given the risks and investment needs it faces, but reserves can only be used once, so the focus will continue to be on reducing the base budget, either by reducing expenditure or increasing income.

Corporate Risks and Uncertainties

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

Summary

In 2015/16 the Council made good progress in addressing the financial challenges it faced and in meeting its Corporate Plan targets.

The revenue outturn with a £448k underspend was £223k above the revised forecast for the year. The Capital Programme was fully resourced with only the planned level of prudential borrowing required. An adequate level of reserves has been maintained which will help to provide financial resilience for 2016/17 and future years.

The next few years will continue to be challenging but the Council is confident that it can meet these challenges. The Council has a good track record of responding to such challenges and has recently put in a place a revised senior management structure which is designed to make sure that the required leadership, skills and capacity are in place. There are risks, as highlighted above, but the Council has effective risk management processes in place. With robust financial management, a strengthened management team and the planned improvements in its performance management arrangements the Council will be in a strong position to meet the future challenges

Further Information

If you would like to receive further information about these accounts please contact the Chief Accountant at the Town Hall, Rose Hill, Chesterfield, Derbyshire, S40 1LP. Interested members of the public have a statutory right to inspect the accounts prior to audit. The dates on which the accounts are available for inspection are advertised annually on the Council's website.

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

Acknowledgments

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

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

H. FOX CPFA
CHIEF FINANCE OFFICER

M. RAYNER
CHAIR OF STANDARDS AND AUDIT COMMITTEE

INTRODUCTION TO THE STATEMENTS

The Statement of Accounts is prepared using the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which defines proper accounting practices for local authorities in England. The pages that follow are the Council's final accounts for 2015/16 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.

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the 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.

The Chief Finance Officer's Responsibilities

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 Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2016.

H.FOX CPFA
CHIEF FINANCE OFFICER

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31st March 2016 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 2015. 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 Council's values reflect the way the council wants to achieve its vision, these are:-

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

The 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. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking, monitoring budgets and undertaking lean 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. The overview and scrutiny committees support the work of the Council by scrutinising the decisions made. The Standards and Audit Committee is 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 attends Corporate Management team meetings and is 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 and conforms with the requirements of the CIPFA statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team.

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 Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- Internal audit reviews of systems and procedures in accordance with the agreed internal audit plan
- Annual review of the Council's Code of Corporate Governance

- 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 providing the Council and the Management team, with financial reports and financial advice covering the whole range of council activities
- Reviews by external agencies such as the Council’s external auditor
- A review of the system of assurances/internal controls
- The Council’s Standards and Audit Committee receives reports on the work of internal audit, including the annual report by the Internal Audit Consortium manager. The annual review of the Local Code of Corporate Governance is reported to both the Standards and Audit Committee and the Council’s Cabinet.
- The Cabinet receives and considers reports on the outcome of reviews by the external auditor and other review agencies.

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.	Budget - Implementing actions to address the forecast budget deficits in 2016/17. The General Fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council’s corporate plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting: • Financial Planning Group • Great Place:Great Service Board • Corporate Cabinet and CMT workshops • Monthly budget monitoring reports to	31/03/17

		service managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions	
2.	Procurement – progress has been made during 2015/16 but the new arrangements with the NHS Royal Hospital need time to embed to ensure that the procurement process is robust from start to finish.	The Council has recently entered in to an agreement with the Chesterfield Royal Hospital NHS Foundation Trust to provide a procurement service. This arrangement will be kept under review to ensure that it is meeting the Council's requirements. The transitional processes are currently being evaluated and adapted. A Procurement Strategy will be devised and training provided to all key staff.	30/09/16
3.	Data Protection – Following a critical audit report in May 2015, Officers identified further weaknesses that need addressing. Some of the weaknesses have been addressed however others remain outstanding.	Resources will be allocated to address the weaknesses outstanding. The new staffing structure includes an Information Assurance officer. The Information Assurance Manager post is currently out to advert, together with a support officer role. When both posts are filled it will provide additional capacity to tackle this priority area.	30/9/16
4.	IT performance/PSN compliance and Security issues - this is in an improved position from last year however there is still further work to be done.	An Executive Director is leading on this review. The Council and Arvato (The Council's IT provider) have designed an action plan to deliver PSN compliance within the required timescale. The requirements are more stringent than the previous year and therefore the volume of work is complex and large scale. Work is currently on track to meet the target.	30/09/16

		A new IT strategy has been drafted.	
5	Devolution and the changing landscape of Local Government – this brings new challenges as to how the Council will manage this change successfully with its partners	Officers will be working closely with partners to ensure that the best deal is obtained for Chesterfield residents Detailed consideration of these issues and the implications for the Council and the borough were considered by full Council in March and April 2016. A more formal project structure will be established for managing the subsequent process and arising changes during 2016/17.	31/03/17
6	Non Housing Property Repairs – the previous 10 year plan has not been adhered to, monitored for completion or adjusted as a result of condition surveys.	The Council will work with its partner Kier to ensure that 10 year plans based on condition surveys are established and monitored. A prioritisation exercise will ensure that those plans are done first for properties that represent the highest potential financial and operational risk.	30/06/16

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 2014	**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, 41 & 42)	**1,750**	**10,829**	**18,026**	**356**	**700**	**2,279**	**749**	**34,689**	**178,333**	**213,022**
Movement in reserves during 2015/16										
Surplus/ (deficit) on provision of services	(8,937)	286	11,114	-	-	-	-	2,463	-	2,463
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	22,208	22,208
Total Comprehensive Income & Expenditure	**(8,937)**	**286**	**11,114**	**-**	**-**	**-**	**-**	**2,463**	**22,208**	**24,671**
Adjustments between accounting basis & funding basis under regulations (note 7)	8,136	(142)	(8,673)	-	(73)	(2,279)	(306)	(3,337)	3,337	-
Net Increase / (Decrease) before transfer to Earmarked Reserves	**(801)**	**144**	**2,441**	**-**	**(73)**	**(2,279)**	**(306)**	**(874)**	**25,545**	**24,671**
Transfer to/from Earmarked Reserves	551	(549)	4	(4)	34	-	-	36	(36)	-
Increase / (Decrease) in 2015/16	**(250)**	**(405)**	**2,445**	**(4)**	**(39)**	**(2,279)**	**(306)**	**(838)**	**25,509**	**24,671**
Balance at 31st March 2016 carried forward (notes 8, 41 & 42)	**1,500**	**10,424**	**20,471**	**352**	**661**	**-**	**443**	**33,851**	**203,842**	**237,693**

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

2014/15				2015/16		
Expenditure £000	**Income £000**	**Net Expenditure £000**		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
2,326	(1,095)	**1,231**	Central Services to the Public	2,556	(1,160)	**1,396**
11,298	(4,634)	**6,664**	Cultural	12,576	(5,067)	**7,509**
8,021	(4,484)	**3,537**	Environmental	7,719	(4,310)	**3,409**
6,644	(5,079)	**1,565**	Planning	5,764	(5,035)	**729**
2,401	(3,096)	**(695)**	Highways & Transport	2,699	(3,083)	**(384)**
40,330	(38,852)	**1,478**	Other Housing Services	40,141	(38,452)	**1,689**
10,305	(7,486)	**2,819**	Corporate & Democratic	12,535	(7,715)	**4,820**
69	-	**69**	Non-Distributed Costs	55	-	**55**
81,394	(64,726)	**16,668**	**COST OF GENERAL FUND SERVICES**	84,045	(64,822)	**19,223**
25,757	(39,260)	**(13,503)**	Local Authority Housing (HRA)	22,856	(40,037)	**(17,181)**
107,151	(103,986)	**3,165**	**COST OF SERVICES**	106,901	(104,859)	**2,042**
2,249	-	**2,249**	Other operating expenditure (Note 9)	2,437	-	**2,437**
9,934	(5,208)	**4,726**	Financing and investment income & expenditure (note 10)	13,916	(4,928)	**8,988**
-	(18,342)	**(18,342)**	Taxation and non-specific grant income (Note 11)	-	(15,930)	**(15,930)**
		(8,202)	**(Surplus)/Deficit on Provision of Services**			**(2,463)**
		(2,322)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			**(4,444)**
		-	(Surplus)/deficit on revaluation of available for sale financial assets			**-**
		16,369	Actuarial (gains)/losses on pension liabilities			**(17,764)**
		-	Other			**-**
		14,047	**Other Comprehensive Income & Expenditure**			**(22,208)**
		5,845	**Total Comprehensive Income & Expenditure**			**(24,671)**

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 2016

2014/15 £000		2015/16 £000	Notes
269,689	Council Dwellings	**281,712**	)
58,096	Other Land & Buildings	**67,490**	)
498	Vehicles, Plant, Furniture & Equipment	**547**	)19,20,
3,395	Infrastructure Assets	**3,155**	)23,24,
4,072	Community Assets	**4,072**	)26
6,487	Assets Under Construction	**309**	)
1,108	Surplus Assets Not Held for Sale	**1,233**	)
343,345	**Property, Plant & Equipment**	**358,518**	
2,505	Heritage Assets	**2,902**	21
59,536	Investment Properties	**54,717**	25
356	Intangible Assets	**619**	22
4,516	Long Term Investments	**4,519**	
1,316	Long Term Debtors	**1,189**	29
411,574	**Long Term Assets**	**422,464**	
182	Assets Held for Sale - Property, Plant & Equipment	**-**	34
375	Assets Held for Sale - Investment Properties	**158**	34
22,670	Short Term Investments	**9,059**	
316	Inventories	**204**	31
8,722	Short Term Debtors	**6,873**	32
976	Cash & Cash Equivalents	**13,364**	33
33,241	**Current Assets**	**29,658**	
(4,896)	Short Term Borrowing	**(4,425)**	
(9,702)	Short Term Creditors	**(10,489)**	35
(1,351)	Short Term Provisions	**(453)**	36
(2,713)	Cash Overdrawn	**(501)**	33
(18,662)	**Current Liabilities**	**(15,868)**	
(135,409)	Long Term Borrowing	**(133,494)**	
(2,417)	Long Term Provisions	**(3,634)**	36
(74,921)	Net Pension Scheme Liabilities	**(60,998)**	15 & 58
(79)	Other Long Term Liabilities	**(176)**	
(306)	Capital Grants Receipts in Advance	**(259)**	
(213,132)	**Long Term Liabilities**	**(198,561)**	
213,021	**Net Assets**	**237,693**	
34,689	Usable Reserves	**33,852**	8,41
178,332	Unusable Reserves	**203,841**	42-49
213,021	**Total Reserves**	**237,693**	

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

2014/15 £000		2015/16 £000
(8,202)	Net (surplus)/deficit on provision of services	**(2,464)**
(19,591)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 50)	**(25,567)**
12,621	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 51)	**9,579**
(15,172)	Net cash flows from Operating Activities (Note 52)	**(18,452)**
11,817	Investing Activities (Note 53)	**1,801**
5,509	Financing Activities (Note 54)	**2,051**
2,154	**Net increase/decrease in cash and cash equivalents**	**(14,600)**
(417)	Cash and cash equivalents at beginning of reporting period	**1,737**
1,737	**Cash and cash equivalents at end of reporting period (Note 33)**	**(12,863)**

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 2015/16 financial year and its position at the year end 31st March 2016.

The Accounts and Audit Regulations 2015 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

1.2 ACCRUALS OF EXPENDITURE & INCOME

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

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

A further exception relates to wages. Only 52 weeks wages are included each year which means that the accounts do not include 1 day's pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2015/16 is a 53 week year for weekly payroll costs.

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

1.3 CASH & CASH EQUIVALENTS

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

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

1.4 INTERNAL INTEREST

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

1.5 OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the CIPFA Service Reporting Code of Practice 2015/16 (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 76).

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Investment properties will be measured at highest and best use.

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

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

1.13 PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service 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 current value of the asset is material (i.e. over £1m)
- the value of an individual component is more than 15% of total asset value
- the component life is significantly different to the life of the main asset

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

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

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

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

1.15 HERITAGE ASSETS

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

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

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

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

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

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

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

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

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

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1.18 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Money received by the authority for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grant is credited to the relevant service 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 techniques:

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

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

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

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

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

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

Assets at Fair Value through Profit or Loss are, under the provisions of the Code, those assets that meet the definition of ‘held for trading’ contained in FRS 26. The authority has chosen to classify its UK gilt holding at fair value through profit or loss.

1.21 INTEREST IN COMPANIES AND OTHER ENTITIES

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

There were no group accounts identified for 2015/16.

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 58 on page 93 provides further details.

1.23 CONTINGENT ASSETS/LIABILITIES

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

1.24 PRIOR PERIOD ADJUSTMENTS

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

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

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

1.25 PRIVATE PUBLIC PARTNERSHIP

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

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

1.26 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

1.27 FAIR VALUE MEASUREMENT

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for the asset or liability

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

The Code of Practice on Local Authority Accounting for 2016/17 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 2016/17 and will be applicable to the Council from 1st April 2016.

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1st April 2016. Changes arising from this do not require retrospective adjustment to the accounts. Under the Transport Infrastructure Code, infrastructure assets must be recognised as a separate class of Property, Plant & Equipment measured at depreciated replacement cost.

This authority does not have any non-current assets which meet the definition of infrastructure assets and this new requirement will therefore have no material impact on the Statement of Accounts.

IAS 1 Presentation of Financial Statements – this standard provides guidance on the form of the financial statements. The 'Telling the Story' review of presentation of the Local Authority financial statements together with the changes introduced by IAS 1 will result in changes to the format of the Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement and introduce an Expenditure and Funding Analysis.

In addition, there are a number of minor amendments to International Financial Reporting Standards regarding IFRS 11 on Joint Arrangements, IAS 16 on Property Plant & Equipment, IAS 19 on Employee Benefits and IAS 38 on Intangible Assets. These are not expected to have any material impact on the accounts.

The Code requires implementation from 1st April 2016 and there is therefore no impact on the 2015/16 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 2016, 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	These assumptions interact in complex ways. During 2015/16, the actuaries advised that the net pensions

	and future salary rate increases. A firm of actuaries are engaged by the pension fund administrator to advice on the assumptions to be applied.	liability had reduced by £2.662m because of estimates being corrected as a result of experience and decreased by £15.046m attributable to updating their assumptions.
Arrears	At 31st March 2016, the Authority had a balance of sundry debtors of £4.2m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £2.0m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £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 £787k for every year that useful lives had to be reduced.
Fair value measurement	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted prices for similar assets in active markets or discounted cash flow are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values, including considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value amount. Where Level 1 inputs are not available, the authority uses relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in notes 20, 25 and 39.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates, adjusted for regional factors, for investment properties and some financial assets. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.

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 £18.1m in 2015/16. This spending is aimed at maintaining dwellings at the decent homes standard. It is anticipated that this level of investment will continue into future years. £6m was also spent on building the new Queens Park Sports Centre which opened in January 2016.

6. EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts was authorised for issue on 28/06/2016 by the Chief Finance Officer, Barry Dawson CPFA. This is also the date up to which events after 31st March 2016 have been considered.

On the 23rd June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in the future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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 its council tax is determined by statute and non-statutory proper practices rather than being in accordance with IFRS requirements.

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

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

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

Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,342)					4,342
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	153					(153)
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	79	21				(100)
Total Adjustments	7,994	(8,673)	(73)	(2,279)	(306)	3,337

	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	(1,348)	(3,269)	4,617			

disposal to CIES						
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)

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 1/4/2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance 31/03/2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance 31/03/2016 £000
General Fund							
Vehicles & Plant	1,067	349	(205)	1,211	381	(743)	849
Information Technology	46	173	(219)	-	146	(14)	132
Crematorium							
Mercury Abatement	113	55	-	168	54	-	222
Capital Improvements	214	273	(13)	474	95	(142)	427
Capital Reserves	1,440	850	(437)	1,853	676	(899)	1,630
General Fund							
Invest to Save	393	-	(107)	286	-	(11)	275
Budget Risk Reserve	1,000	23	(243)	780	788	(525)	1,043
Service Improvement	1,176	25	(48)	1,153	34	(198)	989
Property Improvement	642	1,419	(1,344)	717	1,418	(1,392)	743
Insurance	567	-	-	567	-	-	567
Tenants Property	594	278	(201)	671	280	(231)	720
Tapton Innovation Centre	201	26	(2)	225	26	(8)	243
DSO/DLO Reserve	691	260	(377)	574	17	(228)	363
Legal Services	-	-	-	-	12	-	12
Planning Inquiry	241	19	-	260	-	-	260
Flood Restoration	82	-	-	82	-	(8)	74
Asset Management	44	-	-	44	-	(27)	17
Waterside – Affordable Homes	208	-	(208)	-	-	-	-
Elections Equipment	2	-	-	2	-	-	2
Working Neighbourhoods	224	-	(106)	118	-	(118)	-
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	42	11	(42)	11	-	-	11
Risk Management Fund	10	5	(10)	5	5	(5)	5
S106	362	22	(54)	330	9	(49)	290
Revenue Grants Unapplied	727	580	(530)	777	234	(483)	528
MMI Insurance Reserve	503	-	-	503	-	(137)	366
Severn Trent Water	-	-	-	-	30	-	30
Barrow Hill Bridge	-	40	-	40	-	-	40
Business Rates	238	884	-	1,122	316	-	1,438
Repaid Improvement Grants	76	100	(1)	175	108	(28)	255
Zurich Insurance Risk Reserve	10	5	(10)	5	10	(15)	-
Building Control	50	41	(16)	75	-	(55)	20
Great Place:Great Service	50	82	(27)	105	-	(105)	-
Crematorium							
Crematorium Balance	301	22	(55)	268	198	(54)	412
Cremator Repairs	24	19	(3)	40	14	(6)	48
Crematorium Equipment	9	3	-	12	3	-	15
Organ Reserve	2	1	-	3	-	-	3
Revenue Reserves	8,494	3,865	(3,384)	8,975	3,502	(3,683)	8,794
Total Earmarked Reserves	9,934	4,715	(3,821)	10,828	4,178	(4,582)	10,424
General Fund Working Balance	1,750	-	-	1,750	-	(250)	1,500
HRA							
Housing Revenue Account Balance	12,495	5,531	-	18,026	2,445	-	20,471
Major Repairs Reserve (HRA)	66	9,449	(7,236)	2,279	9,740	(12,019)	-
Revenue Grants Unapplied	296	96	(36)	356	36	(40)	352
Total HRA Reserves	12,857	15,076	(7,272)	20,661	12,221	(12,059)	20,823

9. OTHER OPERATING EXPENDITURE

	2015/16 £000	2014/15 £000
Parish council precepts	**357**	340
Payments to Housing Capital Receipts Pool	**941**	831
(Gains)/losses on disposal of non-current assets	**1,086**	1,018
Other	**53**	60
TOTAL	**2,437**	2,249

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £000	2014/15 £000
Interest payable & similar charges	**5,461**	5,581
Net interest on net defined benefit liability	**2,420**	2,404
Interest and Investment Income	**(325)**	(372)
Income and expenditure in relation to Investment Properties	**(3,086)**	(2,943)
(Gain)/loss on disposal of Investment Properties	**-**	-
Changes in fair value of Investment Properties	**4,683**	536
(Gain)/loss on trading accounts	**(165)**	(480)
TOTAL	**8,988**	4,726

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2015/16 £000	2014/15 £000
Council tax income	**(4,456)**	(4,375)
Business Rates income & expenditure	**(2,681)**	(2,042)
Non-ringfenced government grants	**(4,139)**	(4,712)
Capital grants and contributions	**(4,654)**	(7,213)
TOTAL	**(15,930)**	(18,342)

12. OTHER TRADING UNDERTAKINGS

In 2015/16, 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.

	2015/16			2014/15
	Gross Expenditure £000	**Income £000**	**(Surplus)/ Deficit £000**	**(Surplus)/ Deficit £000**
Markets	1,011	(1,224)	**(213)**	(233)
Trade Refuse	498	(589)	**(91)**	(91)
Industrial Units	1,297	(2,754)	**(1,457)**	(1,573)
Town Centre shops	2,504	(3,613)	**(1,109)**	16
	5,310	(8,180)	**(2,870)**	(1,881)

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	
	2015/16	**2014/15**
£50,000 - £54,999	**4**	3
£55,000 - £59,999	**1**	1
£60,000 - £64,999	**-**	-
£65,000 - £69,999	**1**	2
£70,000 - £74,999	**-**	2
£75,000 - £79,999	**2**	-
£80,000 - £84,999	**-**	-
£85,000 - £89,999	**2**	-
£90,000 - £94,999	**-**	-
£95,000 - £99,999	**-**	-
£100,000 - £104,999	**-**	-
£105,000 - £109,999	**1**	1

The following tables set out the remuneration disclosure for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year (these are also included in the table above).

2015/16 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	104,499	329	611	-	105,439	13,794	119,233
Executive Director	86,700	308	-	-	87,008	11,444	98,452
Executive Director	86,700	-	285	-	86,985	11,444	98,429
Chief Finance Officer	66,810	32	155	-	66,997	8,819	75,816
Total	**344,709**	**669**	**1,051**	**-**	**346,429**	**45,501**	**391,930**

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 Head of Environment left 6/7/14 following a restructure of the Senior Management Team.
(e) The job title of the Head of Finance changed to Chief Finance Officer from 1/7/14.
(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

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The total cost has been agreed and charged to the Comprehensive Income & Expenditure Statement in the year indicated.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
							£000	£000
£0 - £20,000	16	5	9	7	25	12	161	145
£20,001 - £40,000	3	1	-	1	3	2	90	53
£40,001 - £60,000	-	2	-	-	-	2	-	89
Total	**19**	**8**	**9**	**8**	**28**	**16**	**251**	**287**

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 2015/16 was £204,747 (£253,747 in 2014/15).

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 career average revalued earnings scheme, meaning that the Council and employees pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Transactions Relating to Post-employment Benefits

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

Transactions Relating to Retirement Benefits		
Comprehensive Income & Expenditure Statement	**2015/16 £000**	2014/15 £000
Cost of Services		
Service cost comprising:		
• Current service cost	**5,731**	4,564
• Past service costs	**32**	46
Financing & Investment Income and Expenditure		
• Net interest expense	**2,420**	2,404
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	**8,183**	7,014
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	**4,480**	(9,941)
• Actuarial gains and losses arising on changes in demographic assumptions	**-**	-
• Actuarial gains and losses arising on changes in financial assumptions	**(19,564)**	27,896
• Other	**(2,680)**	(1,585)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**(9,581)**	23,384

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	**(8,183)**	(7,014)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	**4,342**	4,254

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:

	2015/16 £000	2014/15 £000
Present value of defined benefit obligation	**203,646**	218,404
Fair value of plan assets	**(142,972)**	(143,852)
Net liability arising from defined benefit obligation	**60,674**	74,552

Reconciliation of Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	**143,852**	130,372
Interest income	**4,587**	5,560
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	**(4,458)**	9,888
Contribution from employer	**4,310**	4,225
Contributions from employees into the scheme	**1,093**	1,065
Benefits paid	**(6,412)**	(7,258)
Closing fair value of scheme assets	**142,972**	143,852

Reconciliation of Present Value of Scheme Liabilities

	2015/16 £000	2014/15 £000
Opening balance at 1st April	**218,404**	185,838
Current service cost	**5,700**	4,543
Interest cost	**6,995**	7,951
Contribution from scheme participants	**1,093**	1,065
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	**-**	-
• Actuarial gains/losses arising from changes in financial assumptions	**(19,504)**	27,793
• Other	**(2,662)**	(1,574)
Past service cost	**32**	46
Benefits paid	**(6,412)**	(7,258)
Closing balance at 31st March	**203,646**	218,404

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2015/16				2014/15			
	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	-	5,862	**5,862**	4%	-	9,128	9,128	6%
Equity Securities								
• Consumer	11,756	-	**11,756**	8%	11,392	-	11,392	8%
• Manufacturing	13,336	-	**13,336**	9%	14,417	-	14,417	10%
• Energy & utilities	8,148	-	**8,148**	6%	10,502	-	10,502	7%
• Financial institutions	11,210	-	**11,210**	8%	11,178	-	11,178	8%
• Health and care	6,202	-	**6,202**	4%	6,433	-	6,433	4%
• Information technology	3,992	-	**3,992**	3%	2,893	-	2,893	2%
• Other	14,627	-	**14,627**	10%	14,391	-	14,391	10%
Sub-total Equity	69,271	-	**69,271**	48%	71,206	-	71,206	49%
Debt Securities								
• Corporate	-	7,915	**7,915**	6%	-	6,948	6,948	5%
• UK Government	16,016	-	**16,016**	11%	17,550	-	17,550	12%
• Other	2,854	-	**2,854**	2%	3,809	-	3,809	3%
Sub-total Debt	18,870	7,915	**26,785**	19%	21,359	6,948	28,307	20%
Property								
• UK Property	-	8,524	**8,524**	6%	-	6,977	6,977	5%
Private Equity								
• All	1,940	586	**2,526**	2%	703	367	1,070	1%
Investment Funds & Unit Trusts								
• Equities	27,162	386	**27,548**	19%	25,142	871	26,013	18%
• Bonds	-	-	**-**	-	-	-	-	-
• Infrastructure	1,631	825	**2,456**	2%	400	751	1,151	1%
Sub-total Investment Funds & Unit Trusts	28,793	1,211	**30,004**	21%	25,542	1,622	27,164	19%
Total Assets	**118,874**	**24,098**	**142,972**	100%	118,810	25,042	143,852	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:

	2015/16	2014/15
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	**2.2%**	2.4%
Rate of increase in salaries	**3.2%**	3.3%
Rate of increase in pensions	**2.2%**	2.4%
Rate for discounting scheme liabilities	**3.5%**	3.2%
Take up of option to convert annual pension into retirement lump sum – pre April 2008 service	**50%**	50%
Take up of option to convert annual pension into retirement lump sum – post April 2008 service	**75%**	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%	20,625
1 year increase in member life expectancy	3%	6,109
0.5% increase in Salary Increase Rate	3%	5,799
0.5% increase in Pension Increase Rate	7%	14,581

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 2016/17 is £4.178m.

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 15/16 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.

16. MEMBERS' ALLOWANCES

The allowances and expenses paid to Members were as follows:

	2015/16 £000	**2014/15 £000**
Special Responsibility & Other Allowances	**130**	132
Basic Responsibility Allowances	**212**	212
Members expenses	**5**	5
TOTAL	**347**	349

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 2015/16.

	2015/16 £000	2014/15 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	**2,363**	3,355
Council Tax Freeze Grant	**48**	48
New Homes Bonus Grant	**616**	462
Sport England	**2,023**	150
Homes & Communities Agency	**15**	6,000
Chesterfield College	**2,500**	-
Heritage Lottery Fund	**-**	216
Dept Communities & Local Government: -		
• Small Business Rate Relief	**951**	796
• Other	**161**	51
S106 contributions	**-**	288
ERDF	**-**	328
Arts Council	**25**	436
Other	**90**	44
TOTAL	**8,792**	12,174

Credited to Services:		
Capital		
Dept Communities & Local Government - Housing	**40**	460
Derbyshire Better Care Fund	**557**	-
Environment Agency	**80**	29
Other	**14**	8
Revenue		
Dept for Work & Pensions – Housing Benefits	**37,807**	37,794
Dept Communities & Local Government	**353**	563
Lottery Fund	**21**	24
Other Government Grants	**39**	92
Derbyshire County Council:		
- Supporting people	**450**	535
- Highways agency	**205**	254
- Other	**87**	206
Other Local Authorities	**90**	16
Primary Care Trust	**-**	16
S106 Contributions	**59**	41
TOTAL	**39,802**	40,038

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:

	2015/16 £000	2014/15 £000
Capital Grants Receipts in Advance		
Environment Agency	**202**	287
Derbyshire County Council	**4**	4
S106 Contributions	**53**	18
Other	**-**	(3)
TOTAL	**259**	306

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.

	2015/16 £'000	2014/15 £'000
Audit of Accounts	**52**	69
Certification of Grant Claims	**6**	9
Non-Audit Services	**3**	0
Total	**61**	78

19. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

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

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**

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. SURPLUS ASSETS

Fair Value Hierarchy

Details of surplus assets and information about their fair value hierarchy at 31st March 2016 are as follows:

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

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

These valuations are historic based on existing use values and/or based on unobservable inputs. The sports centre value is shown net of demolition costs. These assets will be revalued in 2016/17 to allow confirmation of their fair value hierarchy classifications.

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

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

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

	31st March 2016 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Former Sports Centre	45	Depreciated Replacement Cost	Future use	Planning restrictions Adjacent to Heritage Park
Land	1,108	Market value	Future use	Planning restrictions Site issues - redevelopment

21. 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 01/04/15 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/03/16 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	318						318
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	155			90			245
Mayoral Regalia	132			307			439
Assets Carried at Valuation	**1,820**			**397**			**2,217**
Barrow Hill Railway HC	344						344
War Memorials etc.	38						38
Museum Collection	-						-
Percent for Art Sculptures	303						303
Assets Carried at Cost	**685**						**685**
TOTAL HERITAGE ASSETS	**2,505**			**397**			**2,902**

Historic Sites & Buildings

These assets are measured at valuation using conventional valuation approaches. They were valued as at March 2015 by Kier who are the Authority's Asset Management partner, in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institute of Chartered Surveyors. The exception to this is Barrow Hill Railway Heritage Centre which is measured at historical cost. They will be valued every five years as part of the Authority's rolling programme.

Rosewall Sculpture

The sculpture was acquired 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 £3.1m but this is regarded as a nominal and fairly arbitrary figure and therefore only those existing assets with a readily ascertainable market value have been recognised on the balance sheet.

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

Assets included in the Balance Sheet

Historic Buildings

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

War Memorials/Monuments

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

Rosewall Sculpture

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

Mayoral Regalia/Civic Plate, Paintings & Porcelain

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

Museum Collection

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

Summary of Transactions	2015/16 £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	-	-

22. 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	2015/16 £000	2014/15 £000
Net Carrying Amount:		
Brought forward 1 April	**356**	236
Additions	**283**	141
Disposals	**-**	-
Amortisation for the period	**(20)**	(21)
Carried forward 31 March	**619**	356

For 2015/16, total amortisation charges of £20k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

Analysis of Amortisation Charges	2015/16 £000
Corporate and Democratic	**20**
Total	**20**

23. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2017/18 amounting to approximately £44m of which approximately £3.3m was contractually committed at 31st March 2016.

	Approved Expenditure £000	Committed £000
Council Housing	37,698	2,461
Economic Development	2,592	192
Renovation Grants	1,850	446
Leisure	263	32
Planning & Property	247	210
Other Schemes	1,077	7
	43,727	3,348

24. 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.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement (CFR) 1st April	**152,108**	151,199
Capital Investment		
Property, Plant and Equipment	**24,921**	21,629
Investment Properties	**11**	(11)
Intangible Assets	**283**	141
Heritage Assets	**-**	303
Revenue Expenditure Funded from Capital under Statute	**1,265**	1,363
Financed by		
Capital Receipts	**(3,336)**	(2,550)
Capital Grants & Contributions	**(5,651)**	(8,675)
Revenue Balances & Direct Revenue Financing	**(16,341)**	(7,788)
Minimum / Voluntary Revenue Provision	**(2,406)**	(2,492)
Use of Capital Receipts to Repay Debt	**-**	(1,011)
Closing Capital Financing Requirement 31st March	**150,854**	152,108
Increase/(Decrease) in CFR	**(1,254)**	909
Analysis of Increase/(Decrease) in CFR		
Supported by Government Financial Assistance	**-**	-
Unsupported by Government Financial Assistance	**(1,254)**	909
Increase/(Decrease) in CFR	**(1,254)**	909

25. 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.

	2015/16 £000	2014/15 £000
Rental income from investment property	**4,439**	4,356
Direct operating expenses arising from investment property	**1,353**	1,413
Net gain/(loss)	**3,086**	2,943

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:

	2015/16 £000	2014/15 £000
Balance at start of year	**59,536**	59,336
Additions:		
Subsequent expenditure	**11**	(11)
Disposals	**(296)**	(670)
Net gains/losses from fair value adjustments	**(4,684)**	(520)
Other changes	**150**	1,401
Balance at end of year	**54,717**	59,536

Fair Value Hierarchy

Details of the investment properties and information about their fair value hierarchy at 31st March 2016 are as follows:

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

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

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

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

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

	31st March 2016 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Undeveloped Land	443	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	160	Assumed investment (fair value basis)	Rent details Rent comparables	Rent level being known/eligible successor/prospect of vacant possession

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

26. 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 2016 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 100).

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		50	547		**597**
Valued at current value					
2015/16	280,382	26,388		84	**306,854**
2014/15	328	4,358			**4,686**
2013/14		5,962		1,108	**7,070**
2012/13	75	10,564			**10,639**
2011/12	927	20,168		41	**21,136**
Total Net Book Value	**281,712**	**67,490**	**547**	**1,233**	**350,982**

27. DEPRECIATION

The treatment of depreciation is described in Note 1.14 (page 35) of the Summary of Significant Accounting Policies.

28. IMPAIRMENT LOSSES

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2015/16.

29. LONG TERM DEBTORS

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

	31st March	
	2016 £000	**2015 £000**
Housing Associations	**72**	74
Chesterfield Football Club	**828**	858
Operating Lease Incentives	**85**	154
Other	**204**	230
Total	**1,189**	1,316

30. LEASES

Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

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

	31st March	
	2016 £000	**2015 £000**
Not later than 1 year	**275**	625
Later than 1 year and not later than 5 years	**407**	675
Later than 5 years	**30**	37
Total	**712**	1,337

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2016 was £0k (£0k at 31st March, 2015).

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

	Year Ended 31st March	
	2016 £000	**2015 £000**
Minimum lease payments	**625**	628
Contingent rents	**8**	9
Total	**633**	637

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	
	2016 £000	**2015 £000**
Not later than 1 year	**1,936**	2,039
Later than 1 year and not later than 5 years	**4,124**	3,987
Later than 5 years	**3,927**	3,607
Total	**9,987**	9,633

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 2015/16, £340,000 contingent rents were receivable by the Authority (2014/15 £352,071).

31. INVENTORIES

	31st March	
	2016 £000	**2015 £000**
Direct Services	**153**	243
Crematorium	**1**	1
Other	**50**	72
Total	**204**	316

32. DEBTORS

	31st March	
	2016 £000	**2015 £000**
Sundry Debtors - Capital	**-**	-
Sundry Debtors - Revenue	**2,847**	2,889
Central Government Bodies	**1,036**	3,336
Other Local Authorities	**961**	1,108
Housing Revenue Account	**1,498**	815
Crematorium	**105**	91
Business Rate Payers	**224**	261
Council Tax Payers	**202**	222
Total	**6,873**	8,722

33. CASH & CASH EQUIVALENTS

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

	31st March	
	2016 £000	2015 £000
Cash held	**17**	17
Bank current accounts	**(501)**	(2,713)
Short term deposits with banks	**13,347**	959
Total	**12,863**	(1,737)

34. ASSETS HELD FOR SALE

	Current		Non Current	
	2015/16 £000	2014/15 £000	**2015/16 £000**	2014/15 £000
Investment Property Held for Sale				
Balance brought forward at 1 April	**375**	2,046		
Revaluations	**-**	(15)		
Assets newly classified as held for sale	**296**	693		
Assets declassified as held for sale	**(150)**	(1,401)		
Assets sold	**(363)**	(948)		
Balance carried forward at 31 March	**158**	375	**-**	-
Other Assets Held for Sale				
Balance brought forward at 1 April	**182**	149		
Assets newly classified as held for sale	**-**	358		
Assets declassified as held for sale	**-**	-		
Assets sold	**(182)**	(325)		
Balance carried forward at 31 March	**-**	182	**-**	-
Net Sale Proceeds				
Investment Property	**572**	1,181	**-**	-
Other Assets	**254**	381	**-**	-

35. CREDITORS

	31st March	
	2016 £000	2015 £000
Sundry creditors – Capital	**1,574**	1,347
Sundry creditors - Revenue	**4,991**	5,612
Central Government Bodies	**1,482**	812
Other Local Authorities	**1,245**	1,080
Housing Revenue Account	**866**	621
Crematorium	**59**	84
Advance Receipts: Business rates	**182**	62
Advance Receipts: Council tax	**90**	84
Total	**10,489**	9,702

36. PROVISIONS

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

	Balance b/fwd 01/04/15	Movements in year		Balance c/fwd 31/03/16
		Additions	Applied	
Short Term Provisions				
Non Domestic Rate Appeals	1,033	-	(959)	**74**
D.L.O. Provision	318	296	(311)	**303**
Redundancy Provision	-	76	-	**76**
Total – Short Term Provisions	1,351	372	(1,270)	**453**
Long Term Provisions				
Non Domestic Rate Appeals	775	968	40	**1,783**
Transport Employee Pensions	932	23	(42)	**913**
Insurance Provision	689	226	(78)	**837**
MMI Provision	10	78	-	**88**
Other	11	2	-	**13**
Total – Long Term Provisions	2,417	1,297	(80)	**3,634**

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 be done as part of the triennial valuation process which is due to be completed during 2016.

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. The next review will take place during 2016/17.

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 2016 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 25% of these claims and an appropriate provision has therefore been included in the accounts.

Non Domestic Rate Appeals
The introduction of the business rates retention scheme from 1st April 2013, means that a proportion of successful rating appeals must be met by the local authority. Previously they were met by central government. A provision has been established to recognise the liability. Due to the complexity and uncertainties surrounding the calculation of the provision, the Council engages the services of Inform PCI and the Analyse Local system. A detailed breakdown of the provision can be found on page 107.

37. 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	
	2016 £000	2015 £000	2016 £000	2015 £000
Loans & receivables	**2,151**	2,229	**10,082**	5,029
Available for sale	**-**	-	**12,349**	-
Financial assets at fair value through profit or loss	**3,269**	3,266	**8**	18,633
Financial assets carried at contract cost	**24**	-	**5,061**	4,281
Financial Assets	**5,444**	5,495	**27,500**	27,943
Financial liabilities at amortised cost	**133,508**	135,420	**4,926**	7,659
Financial liabilities at fair value through profit or loss	**-**	-	**-**	-
Financial liabilities carried at contract cost	**-**	-	**8,736**	8,744
Financial Liabilities	**133,508**	135,420	**13,662**	16,403

Fair Value of Financial Assets

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

Financial assets measured at fair value			
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/3/16 £000
Available for sale			
Money market funds	Level 1	Unadjusted quoted prices in active markets	12,349
Fair Value through Profit or Loss			
UK Gilt	Level 1	Unadjusted quoted prices in active markets	3,277
Total			15,626

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

38. 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:

2015/16	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000	**Loans & receivables £000**	**Available-for-sale assets £000**	**Fair value through profit or loss £000**	**Total £000**
Interest expense	5,461	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,461	-	-	-	**5,461**
Interest income	-	(146)	-	(40)	
Dividend income	-	-	(2)	-	
Increase in fair value	-	-	-	(38)	
Gains on derecognition	-	-	(79)	(5)	
Total income in Surplus/Deficit on Provision of Services	-	(146)	(81)	(83)	**(310)**
Gains on revaluation			-		
Losses on revaluation			-		
Amounts recycled to Surplus/Deficit on Provision of Services after impairment			-		
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure			-		
Net (gain)/loss for year	**5,461**	**(146)**	**(81)**	**(83)**	

2014/15	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000	**Loans & receivables £000**	**Available-for-sale assets £000**	**Fair value through profit or loss £000**	**Total £000**
Interest expense	5,580	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Total expense in Surplus/Deficit on Provision of Services	5,580	-	-	-	**5,580**
Interest income	-	(120)	-	-	
Dividend income	-	-	-	-	
Increase in fair value	-	-	-	(233)	
Gains on derecognition	-	-	(4)	-	
Total income in Surplus/Deficit on Provision of Services	-	(120)	(4)	(233)	**(357)**
Gains on revaluation			-		
Losses on revaluation			-		
Amounts recycled to Surplus/Deficit on Provision of Services after impairment			-		
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure			-		
Net (gain)/loss for year	**5,580**	**(120)**	**(4)**	**(233)**	

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

Except for the financial assets carried at fair value (see note 37 for details), financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair values are calculated as follows:

	31st March 2016		31st March 2015	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial Liabilities	**138,434**	**176,003**	143,079	180,577

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 2016		31st March 2015	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Loans & Receivables	**12,233**	**12,233**	7,258	7,313

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

The fair value of trade and other receivables is taken to be the invoiced or billed amount. The carrying amount is therefore a reasonable approximation of fair value and this category of financial instrument is therefore excluded from the figures above.

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

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

For the remaining £3.3m of financial liabilities, the carrying value has been used as a proxy for fair value.

The fair value for financial assets and liabilities that are not measured at fair value included in level 3 above has been calculated using a discounted cash flow analysis. They can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

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

40. 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).

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 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2016 %	**Estimated maximum exposure to default & uncollectability £000**	Estimated maximum exposure at 31st March 2015 £000
Deposits with banks & financial institutions	-	-	-	**-**	21,899
Bonds	3,277	-	-	**-**	
Customers	3,113	55.15	46.48	**1,447**	1,989
Total	6,390	-	-	**1,447**	23,888

The authority does not generally allow credit for customers, such that £2.469m (£1.596m in 2014/15) of the £3.113m (£1.989m in 2014/15) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2016 £000	**31st March 2015 £000**
Less than three months	**694**	393
Three to six months	**148**	78
Six months to one year	**323**	289
More than one year	**1,304**	836
Total	**2,469**	1,596

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 2016 £000**	**31st March 2015 £000**
1 year	**4,926**	7,659
1 to 2 years	**1,942**	1,914
2 to 5 years	**6,137**	6,165
5 to 10 years	**13,496**	12,353
10 to 15 years	**13,908**	13,793
15 to 20 years	**22,625**	20,995
20 to 25 years	**24,600**	24,400
25 to 30 years	**18,400**	20,000
30 to 35 years	**17,000**	17,000
35 to 40 years	**8,200**	10,400
40 to 45 years	**6,000**	6,000
45 to 50 years	**1,200**	2,400
Total	**138,434**	143,079

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 2015/16, the upper limit for exposure to variable rate debt was £70.0m (£72.5m in 2014/15).

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

Price Risk

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

Foreign Exchange Risk

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

41. USABLE RESERVES

	31st March	
	2016 £000	**2015 £000**
Earmarked Reserves - Capital	**1,630**	1,853
Earmarked Reserves - Revenue	**8,794**	8,975
Total Earmarked Reserves (GF)	**10,424**	10,828
General Fund(GF) Working Balance	**1,500**	1,750
HRA Working Balance	**20,471**	18,026
Earmarked Reserves - HRA	**352**	2,635
Useable Capital Receipts Reserve	**661**	700
Capital Grants Unapplied	**444**	750
Total Usable Reserves	**33,852**	34,689

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 23. A detailed breakdown of the Council's 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	**2015/16 £000**	**2014/15 £000**
Brought forward 1 April	**700**	429
Additions	**4,238**	4,662
Pooling liability	**(941)**	(831)
Financing of capital expenditure	**(3,336)**	(2,549)
Voluntary repayment of debt	**-**	(1,011)
Carried forward 31 March	**661**	700

Capital Grants Unapplied	**2015/16 £000**	**2014/15 £000**
Brought forward 1 April	**750**	1,241
Additions	**233**	274
Transfers (to)/from revenue	**-**	222
Financing of capital expenditure	**(539)**	(987)
Carried forward 31 March	**444**	750

42. UNUSABLE RESERVES

	31st March	
	2016 £000	**2015 £000**
Revaluation Reserve	**19,179**	15,419
Capital Adjustment Account	**247,812**	239,734
Financial Instruments Adjustment Account	**(46)**	(50)
Pensions Reserve	**(60,998)**	(74,921)
Deferred Capital Receipts Reserve	**180**	183
Collection Fund Adjustment Account	**(1,993)**	(1,840)
Accumulated Absences Account	**(293)**	(193)
Total Unusable Reserves	**203,841**	178,332

43. 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.

	2015/16 £000	**2014/15 £000**
Balance brought forward 1st April	**15,419**	13,651
Revaluation gains	**5,284**	2,358
Revaluation and impairment losses	**(824)**	(2)
Amounts t/f to Cap Adj Account (Depreciation)	**(657)**	(510)
Amounts t/f to Cap Adj Account (Disposals)	**(43)**	(78)
Balance carried forward 31st March	**19,179**	15,419

44. 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.

	2015/16 £000	2014/15 £000
Balance brought forward 1st April	**239,734**	235,254
Reversal of items recognised in the Comprehensive Income & Expenditure Statement		
Property, Plant & Equipment: depreciation charges	**(10,410)**	(10,263)
Property, Plant & Equipment: net revaluation gains/(losses)	**1,305**	(785)
Intangible Assets: amortisation charges	**(20)**	(21)
Revenue expenditure funded from capital under statute	**(1,265)**	(1,363)
Disposal/derecognition of non-current assets	**(5,251)**	(5,628)
Gain/(loss) in fair value of investment properties	**(4,684)**	(536)
Amounts transferred from the Revaluation Reserve		
Depreciation adjustment	**657**	510
Disposal/derecognition adjustment	**43**	78
Capital financing provisions		
Application of usable capital receipts	**3,336**	3,561
Application of Major Repairs Reserve	**12,019**	7,236
Application of revenue balances and direct revenue financing	**4,322**	552
Capital grants/contributions recognised in revenue during the period	**5,111**	7,688
Application of capital grants unapplied	**539**	987
Minimum revenue provision	**2,406**	2,492
Principal repayments - deferred debtors	**(30)**	(28)
Balance carried forward 31st March	**247,812**	239,734

45. 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.

	2016 £000	2015 £000
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	**(4)**	-
Net (premium)/discount incurred in the year and recognised in the Comprehensive Income & Expenditure Statement	**-**	-
Net (premium)/discount to be taken to the GF Balance	**(4)**	-
Balance of net (premium)/discount at 1 April	**(50)**	(50)
Amortised in year	**4**	-
Balance of net (premium)/discount at 31 March	**(46)**	(50)

46. 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.

	2016 £000	2015 £000
Balance brought forward at 1st April	**(74,921)**	(55,791)
Actual gains or losses on pension assets and liabilities	**17,764**	(16,370)
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	**(8,183)**	(7,014)
Employers pension contributions	**4,342**	4,254
Balance at 31st March	**(60,998)**	(74,921)

47. 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.

	2016 £000	2015 £000
Balance brought forward at 1st April	**183**	186
Transfer to Capital Receipts Reserve on receipt of cash	**(3)**	(3)
Balance at 31st March	**180**	183

48. 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.

	2016 £000	2015 £000
Balance brought forward at 1st April	**(1,840)**	(397)
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	**(153)**	(1,443)
Balance at 31st March	**(1,993)**	(1,840)

49. 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.

	2016 £000	2015 £000
Balance brought forward at 1st April	**193**	197
Settlement or cancellation of accrual made at end of preceding year	**(193)**	(197)
Amounts accrued at end of current year	**293**	193
Balance at 31st March	**293**	193

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

	2015/16 £000	2014/15 £000
Depreciation	**(9,125)**	(11,048)
Impairment	**-**	-
Amortisation	**-**	(21)
Movement in Fair Value of Investments	**(14)**	194
(Increase)/decrease in Creditors	**(667)**	680
Increase/(decrease) in Debtors	**(1,576)**	789
Increase/(decrease) in Stock	**(112)**	(1)
Movement in Pension Liability	**(3,840)**	(2,761)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(5,216)**	(5,551)
Movement in Investment Property Value	**(4,683)**	(535)
Other non-cash items charged to net surplus/deficit on provision of services	**(334)**	(1,337)
Total	**(25,567)**	(19,591)

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

	2015/16 £000	2014/15 £000
Proceeds from sale of PPE, investment properties & intangible assets	**4,234**	4,659
Capital grants	**5,345**	7,962
Total	**9,579**	12,621

52. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest received	**(310)**	(363)
Interest paid	**5,460**	5,581

53. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	**2014/15 £000**
Purchase of non-current assets	**24,977**	21,460
Purchase of short term and long term investments	**8,000**	3,000
Proceeds from sale of non-current assets	**(4,237)**	(4,662)
Proceeds from short term and long term investments	**(21,608)**	-
Other receipts from investing activities	**(5,331)**	(7,981)
Net cash flows from investing activities	**1,801**	11,817

54. CASH FLOW STATEMENT – FINANCING ACTIVITES

	2015/16 £000	**2014/15 £000**
Cash receipts of short and long term borrowing	**(2,500)**	(2,000)
Other receipts from financing activities	**-**	-
Repayments of short and long term borrowing	**4,887**	6,921
Other payments for financing activities	**(336)**	588
Net cash flows from financing activities	**2,051**	5,509

55. 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 2015/16	Leader & Regeneration £000	Deputy Leader & Planning £000	Town Centre & Visitor Economy £000	Housing £000	Health & Wellbeing £000	Governance £000	Business Transformation £000	Council Housing £000	Total £000
Fees, Charges & Other Service Income	-	3,221	7,553	65	4,256	263	77	39,974	55,409
Government Grants	-	166	10	571	25	124	37,990	40	38,926
Recharges & Other Income	221	2,678	2,224	16	1,385	2,134	4,679	2,217	15,554
Total Income	**221**	**6,065**	**9,787**	**652**	**5,666**	**2,521**	**42,746**	**42,231**	**109,889**
Employee expenses	303	1,939	1,972	228	2,963	1,468	370	4,441	13,684
Other service expenses	114	2,515	4,293	642	7,767	1,491	41,602	12,330	70,754
Support service recharges	289	1,495	782	66	1,694	1,934	2,274	2,680	11,214
Capital charges	-	2,099	5,213	1,087	2,831	237	62	4,934	16,463
Provision for impairment	-	77	-	-	-	-	70	295	442
Transfer to/from reserves	-	37	-	-	7	63	(13)	-	94
Total Expenditure	**706**	**8,162**	**12,260**	**2,023**	**15,262**	**5,193**	**44,365**	**24,680**	**112,651**
NET EXPENDITURE	**485**	**2,097**	**2,473**	**1,371**	**9,596**	**2,672**	**1,619**	**(17,551)**	**2,762**

Portfolio Income & Expenditure 2014/15	Leader & Regeneration (restated) £000	Deputy Leader & Planning (restated) £000	Town Centre & Visitor Economy (restated) £000	Housing £000	Health & Wellbeing (restated) £000	Governance (restated) £000	Business Transformation (restated) £000	Council Housing £000	Total £000
Fees, Charges & Other Service Income	-	3,148	7,608	15	4,528	236	345	38,956	54,836
Government Grants	-	36	10	471	13	35	38,113	-	38,678
Recharges & Other Income	297	2,340	489	275	1,128	2,005	4,372	2,228	13,134
Total Income	**297**	**5,524**	**8,107**	**761**	**5,669**	**2,276**	**42,830**	**41,184**	**106,648**
Employee expenses	396	1,571	2,151	233	3,106	1,511	513	4,211	13,692
Other service expenses	124	2,591	4,123	620	7,921	1,502	41,295	11,840	70,016
Support service recharges	310	1,204	767	62	1,897	1,760	2,210	2,484	10,694
Capital charges	-	(234)	1,963	1,334	1,808	(196)	65	8,136	12,876
Provision for impairment	-	47	(6)	-	3	-	26	442	512
Transfer to/from reserves	-	96	-	44	1	25	68	-	234
Total Expenditure	**830**	**5,275**	**8,998**	**2,293**	**14,736**	**4,602**	**44,177**	**27,113**	**108,024**
NET EXPENDITURE	**533**	**(249)**	**891**	**1,532**	**9,067**	**2,326**	**1,347**	**(14,071)**	**1,376**

The portfolio structures were amended in 2015/16 to reflect changes made to Cabinet responsibilities. The 2014/15 income and expenditure figures have been restated using the new portfolio responsibilities to allow comparison between years.

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.

	2015/16 £000	2014/16 £000
Net expenditure in Portfolio analysis	**2,762**	1,376
Add: Amounts in Comprehensive Income & Expenditure Statement not reported in the analysis	**645**	(589)
Less: Amounts included in analysis not in Comprehensive Income & Expenditure Statement	**(1,365)**	2,378
Cost of Services in Comprehensive Income & Expenditure Statement	**2,042**	3,165

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.

2015/16	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	55,409	764	(4,399)	51,774	4,399	56,173
Government Grants	38,926	113	38	39,077	6,202	45,279
Recharges & Other Income	15,554	592	20	16,166	2,795	18,961
Interest & Investment Income	-	-	-	-	325	325
Income from Business Rates	-	-	-	-	2,681	2,681
Income from Council Tax	-	-	-	-	4,456	4,456
Total Income	**109,889**	**1,469**	**(4,341)**	**107,017**	**20,858**	**127,875**
Employee expenses	13,684	1,353	183	15,220	80	15,300
Other service expenses	70,754	776	(954)	70,576	1,073	71,649
Support service recharges	11,214	27	(252)	10,989	253	11,242
Depreciation, amortisation and impairment	16,905	(42)	(4,683)	12,180	4,683	16,863
Transfers to/from reserves	94	-	-	94	-	94
Interest payments	-	-	-	-	7,880	7,880
Precepts	-	-	-	-	357	357
Payments to Housing Capital Receipts Pool	-	-	-	-	941	941
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	1,086	1,086
Total Expenditure	**112,651**	**2,114**	**(5,706)**	**109,059**	**16,353**	**125,412**
(Surplus)/Deficit on Provision of Services	**2,762**	**645**	**(1,365)**	**2,042**	**(4,505)**	**(2,463)**

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)**

56. 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 55 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 2015/16 is shown in Note 16. In addition, the Council paid grants totalling £274,695 to voluntary organisations in which 10 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

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

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

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

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

57. BOLSOVER, CHESTERFIELD & NORTH EAST DERBYSHIRE DISTRICT 'COUNCIL'S INTERNAL AUDIT CONSORTIUM'

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

During the year, the consortium retained a surplus of £20,000.00 (£50,000 in 2014/15).

The Council's proportion of the consortium's net surplus at the 31st March 2016 is £7,320 (£18,065 at 31st March 2015).

58. 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
2015/16	**55%**	31%	14%
2014/15	**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

2014/15		**2015/16**		
Net Expenditure £000		**Expenditure £000**	**Income £000**	**Net Expenditure £000**
20	Environmental	525	(812)	**(287)**
20	**Net Cost of Service**	**525**	**(812)**	**(287)**

Balance Sheet

2014/15 £000		**2015/16 £000**
	Long Term Assets	
1,248	Other Land & Buildings	**1,278**
1	Vehicles, Plant, Furniture & Equipment	**9**
-	Assets under Construction	**-**
138	Investment Properties	**138**
	Current Assets	
1	Stock	**1**
91	Debtors	**105**
940	Cash	**1,065**
	Current Liabilities	
(84)	Creditors	**(59)**
	Long Term Liabilities	
752	Pension Scheme Assets	**749**
(1,121)	Pension Scheme Liabilities	**(1,073)**
1,966	**Net Assets**	**2,213**
194	Revaluation Reserve	**180**
1,177	Capital Adjustment Account	**1,230**
(369)	Pensions Reserve	**(324)**
696	Earmarked Reserves	**715**
268	Balances – Revenue Surplus	**412**
1,966	**Total Reserves**	**2,213**

59. 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
2015/16	**(3)**	**4**	**62**
2014/15	(3)	5	67

60. THE ARVATO PARTNERSHIP

2015/16 is the sixth 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 2016 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2016/17	5,059
Payable within two to five years	17,860
Total	**22,919**

61. CONTINGENT LIABILITIES

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2016. Further appeals against valuations on the 2010 valuation list may be received in future years. The value of the liability cannot be estimated for unknown claims which have not yet been received.

Municipal Mutual Insurance

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

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	2015/16 £000	2014/15 £000
Income:			
Dwellings Rents	1	**38,226**	37,330
Charges for Services and Facilities		**580**	633
Non-Dwelling Rents		**665**	659
Contribution towards Expenditure		**523**	541
Total Income		**39,994**	39,163
Expenditure:			
Supervision & Management : General		**5,737**	5,713
Special		**2,436**	2,397
Rents, Rates, Taxes & Other Charges		**486**	369
Repairs and Maintenance		**8,941**	8,416
Depreciation & Impairment of non-current assets		**4,837**	8,232
Debt Management Costs		**57**	70
Movement in the allowance for bad debts		**295**	442
Total Expenditure		**22,789**	25,639
Net Expenditure/(Income) of Services as included in the Comprehensive Income & Expenditure Statement		**(17,205)**	(13,524)
HRA share of Corporate & Democratic Core		**24**	21
Net Expenditure/(Income) for HRA Services		**(17,181)**	(13,503)
HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement			
(Gain)/Loss on Disposal of HRA non-current assets		**1,121**	1,108
HRA share of interest payable & similar charges		**5,223**	5,330
Interest & Investment Income		**(173)**	(178)
Share of D.L.0./D.S.O. Surplus		**-**	(100)
Change in Market Value of Investment Properties		**-**	(166)
Income & Expenditure re Investment Properties		**(104)**	(70)
(Surplus)/Deficit on HRA Services		**(11,114)**	(7,579)

Movement on the HRA Statement	2015/16 £000	2014/15 £000
Balance on HRA at end of previous year	**(18,026)**	(12,495)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	**(11,114)**	(7,579)
Adjustments between accounting basis and funding basis under statute (note 10)	**8,673**	1,988
Net (Increase)/Decrease before transfers to or from reserves	**(2,441)**	(5,591)
Transfers to/(from) reserves	**(4)**	60
(Increase)/decrease in year on HRA	**(2,445)**	(5,531)
Balance on HRA at end of current year	**(20,471)**	(18,026)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,487 dwellings available for rent during 2015/16. 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, £809,745 (2.12%) of rental income was lost due to vacant properties, in 2014/15 the figure was £626,531 (1.68%). The average weekly rent in 2015/16 was £84.58 (48 week year), an increase of £1.82 (2.2%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2016 was as follows:

	31 Mar 16	31 Mar 15
Houses	**4,808**	4,868
Flats & maisonettes	**3,257**	3,255
Bungalows	**1,395**	1,394
Others	**27**	12
Total	**9,487**	9,529

The number of properties sold under the 'Right to Buy' legislation in 2015/16 was 68 (67 in 2014/15).

3. RENT ARREARS

Rent arrears at the year-end totalled £2,557,300. This compares with £2,307,064 at 31st March, 2015. A provision of £1,196,959 (£914,603 in 2014/15) 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 2016 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 2015 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2016 £000	As at 31st March 2015 £000
Council Dwellings	**281,712**	269,689
Other Land & Buildings	**2,594**	2,758
Vehicles, Plant, Furniture & Equipment	**30**	40
Assets Under Construction	**201**	1,512
Surplus Assets Not Held for Sale	**1,108**	1,108
Investment Property	**4,390**	4,676
Investment Property Held for Sale	**158**	225
Total	**290,193**	280,008

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

The vacant possession value of the dwellings as at 1st April, 2015 was £793m (£782m 1st April 2014). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the OMV of the stock to EUV-SH for inclusion in the balance sheet was reduced from 50% to 34% with effect from 1st April, 2010.

5. HRA CAPITAL EXPENDITURE & FINANCING

Capital Expenditure		Capital Financing	
	£000		**£000**
Council Dwellings	15,773	Borrowing	-
Assets Under Construction	2,312	Capital Receipts Reserve	2,933
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	12,020
		Grants & Contributions	75
REFCUS	40	Revenue Balances & Direct Revenue Financing	3,097
Total	**18,125**		**18,125**

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2015/16 £000	2014/15 £000
Council Dwellings	**3,268**	3,036
Other Land & Property	**567**	233
Total	**3,835**	3,269

7. DEPRECIATION

HRA Depreciation	2015/16 £000	2014/15 £000
Council Dwellings	**7,171**	7,072
Other Land and Buildings	**87**	89
Surplus Assets Not Held for Sale	**-**	1
Vehicles, Plant, Furniture and Equipment	**10**	22
Total	**7,268**	7,184

8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

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

REFCUS, Revaluation and Impairment Losses	2015/16 £000	2014/15 £000
Council Dwellings	**(2,431)**	1,049
Other Land and Buildings	**-**	-
Surplus Assets Not Held for Sale	**-**	-
Revaluation and Impairment Losses	**(2,431)**	1,049
Movements in the fair value of investment property	**-**	(167)
Total	**(2,431)**	882

9. MAJOR REPAIRS RESERVE

Major Repairs Reserve	**2015/16 £000**	2014/15 £000
Balance brought forward at 1st April	**2,279**	66
Depreciation	**7,268**	7,184
Transfers in	**2,473**	2,265
Debits in respect of capital expenditure	**(12,020)**	(7,236)
Balance Carried Forward	**-**	2,279

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2015/16 £000	2014/15 £000
Net gain/(loss) on sale of HRA non-current assets	**(1,121)**	(1,108)
HRA share of contributions to or from the Pensions Reserve	**(263)**	(392)
Capital expenditure funded by the HRA	**3,097**	-
Transfer to/(from) Major Repairs Reserve	**2,473**	2,266
Movement in Market Value of Investment Properties (note 8)	**-**	167
Transfer to/(from) Capital Adjustment Account (note 8)	**2,431**	(1,049)
Voluntary Repayment of Debt	**2,077**	2,108
Short Term Accumulated Absences	**(21)**	(4)
Total Adjustments	**8,673**	1,988

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.

2014/15		2015/16		
Total **£000**		**Business Rates** **£000**	**Council Tax** **£000**	**Total** **£000**
	Income			
(41,838)	Council Tax (Note 1)	-	(43,192)	(43,192)
(35,210)	Business Rates (Note 2)	(36,877)	-	(36,877)
(77,048)		(36,877)	(43,192)	(80,069)
	Expenditure			
	Apportionment of Previous Year Surplus/(Deficit)			
58	Central Government	(936)	-	(936)
71	Chesterfield Borough Council	(749)	70	(679)
182	Derbyshire County Council	(168)	489	321
12	Derbyshire Fire Authority	(19)	30	11
26	Derbyshire Police & Crime Commissioner	-	76	76
349		(1,872)	665	(1,207)
	Precepts, Demands & Shares			
17,889	Central Government	18,316	-	18,316
18,632	Chesterfield Borough Council	14,653	4,382	19,035
33,395	Derbyshire County Council	3,297	31,128	34,425
2,238	Derbyshire Fire Authority	366	1,939	2,305
4,675	Derbyshire Police & Crime Commissioner	-	4,823	4,823
76,829		36,632	42,272	78,904
	Charges to Collection Fund			
-	Write offs of uncollectable amounts	1,072	-	1,072
(207)	Transitional Protection Payments	512	-	512
648	Increase/(Decrease) in bad debt provision (Note 5)	635	214	849
2,804	Increase/(Decrease) in provision for appeals (Note 6)	125	-	125
(156)	Business Rate Deferrals	-	-	-
166	Cost of Collection Allowance	165	-	165
3,385	**(Surplus)/Deficit arising during year**	**392**	**(41)**	**351**
683	**(Surplus)/Deficit Brought Forward**	**4,789**	**(721)**	**4,068**
4068	**(Surplus)/Deficit as at 31st March (Notes 3 & 4)**	**5,181**	**(762)**	**4,419**

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	30	5/9	17
A	16,341	6/9	10,894
B	8,147	7/9	6,336
C	5,269	8/9	4,683
D	3,340	9/9	3,340
E	1,619	11/9	1,979
F	504	13/9	729
G	192	15/9	320
H	11	18/9	22
Totals	35,453		28,320
Less adjustment for collection rate			(538)
Council Tax Base			**27,782**

The basic amount of Council Tax for a Band D property was £1,508.76 (£1,482.27 2014/15).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (49.3p in 2015/16 and 48.2p in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

A small business rate relief scheme was introduced by central government in 2005/06 and for those businesses eligible for this relief the multiplier is reduced to 48.0p for 2015/16 (47.1p in 2014/15).

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 2016 was £90,095,630 (£89,704,561 as 31st March 2015).

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

Under the accounting arrangements for the Derbyshire Pool, instead of each authority paying a proportion of their growth in business rates above a baseline to central government, it pays this levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. The levy paid in 2015/16 was £266,150 and the redistributed growth received was £250,078.

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 £658,115 was assumed when setting the Council Tax for 2016/17. The additional surplus of £103,479 will be recovered in the tax calculation for 2017/18.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2016 £000	2015 £000
Derbyshire County Council	561	531
Derbyshire Police & Crime Commissioner	87	82
Derbyshire Fire Authority	35	33
Chesterfield Borough Council	79	75
Council Tax (Deficit)/Surplus	762	721

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 2017/18 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 £4,628,766 was assumed in the calculation of business rate income in 2016/17. The additional deficit of £552,178 will be recovered in the income calculation for 2017/18.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH		
	Proportionate Share	2015 £000
Derbyshire County Council	9%	(466)
Derbyshire Fire Authority	1%	(52)
Central Government	50%	(2,591)
Chesterfield Borough Council	**40%**	**(2,072)**
Council Tax (Deficit)/Surplus	100%	(5,181)

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	821	(821)	635	635
Council Tax	2,186	(138)	214	2,262
Total	3,007	(959)	849	2,897

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
4,519	(1,276)	1,401	4,644

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 £356,773 parish precepts (Staveley £309,820 and Brimington £46,953).

AUDITORS REPORT (Covering pages 22 - 108)

Expected by 30th September 2016

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GENERAL FUND BUDGET OUTTURN 2015/16 (J000)

MEETING:	(1)	COUNCIL
	(2)	CABINET
	(3)	LEADER IN CONSULTATION WITH THE DEPUTY LEADER
DATE:	(1)	27TH JULY 2016
	(2)	14TH JUNE 2016
	(3)	7TH JUNE 2016
REPORT BY:		CHIEF EXECUTIVE CHIEF FINANCE OFFICER
WARD:		ALL
COMMUNITY FORUM:		ALL
KEY DECISION REF:		638

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 2015/16, 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 2015/16 be noted.

2.2 That the £448k revenue account surplus be transferred to the Budget Risk Reserve.

2.3 That the General Fund carry forward requests be considered (para 4.8).

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

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

Full Council:

2.6 Notes 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 **£448k** in the year compared with:

a) The **original** budget forecast - £94k deficit.

b) The **revised** budget forecast - £225k surplus.

4.2 Details of the variances that contributed towards the £319k reduction from the original deficit forecast to the revised forecast surplus were included in the budget report to the Cabinet on the 23rd February 2016.

4.3 The outturn **surplus is £223k 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 relating to Business Rate income (Pooling and NHS reliefs) 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 +£1.9m, Town Centre/Visitor Economy +£2.9m and Health & Wellbeing +£1.0m). 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 £5.8m. 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 two **carry forward requests** to consider. Fuller details of the Carry Forward requests are included at **Appendices F & G**. The table below provides a summary of each request with a recommendation on each from the Senior Leadership Team (SLT).

Table 1 – Carry Forward Requests				
Portfolio	**Service**	**Description**	**Amount**	**SLT recommendation**
Dep Leader	Forward Planning	Local Plan preparation costs e.g. professional fees.	15,590	Approve
Business Transformation	Learning & Development	Learning & Development IT system	6,470	Defer – pending more info on on-going cost implications
Total	**Carry f/wds**		**£22,060**	

5.0 DLO/DSO's

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

Table 2 – DLO/DSO Outturns					
	Surplus / (Deficit) **£**	**Retained in the service (see para. 5.2)** **£**	**To HRA** **£**	**To Gen Fund Revenue Account** **£**	**To Budget Risk Reserve** **£**
Building Maintenance	**17,586**	17,586	-	-	-
Spirepride	**211,853**	-	-	211,853	-
Building Cleaning	**6,025**	-	-	-	6,025
Security Services	**18,309**	-	-	-	18,309
Total	**253,773**	**17,586**	**-**	**211,853**	**24,334**

5.2 Members are requested to approve the retention of the Building Maintenance surplus (£17,586) within the service, to top up the redundancy provision for future restructures.

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 D**. Please note that the summary of useable reserves in the table below excludes the **General Working Balance** (which was reduced to £1.5m in 2015/16).

Table 3 – General Fund Reserves & Provisions 2015/16			
Reserve	**Opening Balance £'000**	**Closing Balance £'000**	**Revised Forecast £'000**
Budget Risks Reserve	**781**	**1,043**	**358**
Invest-to-Save Reserve	**286**	**274**	**151**
Service Improvement Reserve	**1,153**	**989**	**799**
Other Earmarked Reserves	**3,880**	**4,506**	**3,811**
Provisions	**1,631**	**1,837**	**1,525**
Total Reserves & Provisions	**7,731**	**8,649**	**6,644**

6.2 Overall the level of reserves and provisions are £2.0m above the revised budget forecast estimate due mainly to increases in the Business Rates Reserves, Vehicles & Plant Reserve, Insurance Fund and the Budget Risk 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 £685k, due to the re-profiling of existing commitments and the 2015/16 surpluses (General Fund and DSO's) transferred into the account. The reserve can be used to finance the costs of the Voluntary Redundancy/Early Retirement scheme which is being re-launched in 2016.

Table 4 – Budget Risk Reserve		
	Outturn £'000	**Revised Budget £'000**
Balance b/fwd 1st Apr 2015	781	781
Movements In 2015/16:		
New Burdens grant re Land Charges	63	63
Further Land Charges costs	-	(16)
Local Plan professional fees		(14)
15/16 Growth – Data Custodian	(17)	(17)
Learning & Development - training		(6)
Environmental Health system upgrade	(3)	(3)
Transfer to STWA tenants consultation reserve	(30)	(30)

Erin Road Pumping Station	(43)	(50)
Legal opinion	-	(3)
Elections	(6)	(6)
Group litigation – postal services	(7)	(14)
Digital Content Officer post	(17)	(18)
Alderman celebrations	(2)	(4)
Dilapidation costs – Whitting Valley	-	(17)
IDOX buy-out of lease	(99)	(99)
PSN Compliance costs	(166)	(246)
CMT restructure – severance costs	(111)	(178)
VR/VER's	(24)	(12)
Transfers from other reserves & balances	253	247
DSO Surpluses	24	tbc
Add: budget surplus in 2015/16	448	tbc
Balance c/fwd 31st Mar 2016	**1,044**	**358**
Outstanding Commitments:		
Group litigation – postal services	(7)	-
Learning & Development - training	(6)	-
Health & Safety prosecution	(25)	-
PSN compliance costs	(80)	-
Further Land Charges costs	(16)	-
Public Sector Stock Condition	(26)	(26)
Erin Rd Pumping Station	(7)	-
Dilapidation costs – Whitting Valley	(17)	-
Uncommitted Balance	**860**	**332**

6.4 **Invest-to-Save Reserve**

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

Table 5 - Invest-to Save Reserve		
	Outturn £'000	**Revised Budget £'000**
Balance b/fwd 1st Apr 2015	286	286
Movements In 2015/16:		
Venues refurbishment	(12)	(12)
Balance c/fwd 31st Mar 2016	274	274
Outstanding Commitments:		
Customer Service Strategy - capital	(105)	(105)

Local Collective Agreement	(10)	(10)
Car park improvements	(111)	(111)
Property Fund Selection Service	(8)	(8)
Budget Savings Delivery Fund	(40)	(40)
Uncommitted Balance c/fwd	0	**0**

6.5 **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**
Balance b/fwd 1st Apr 2015	1,153	**1,153**
<u>Movements In 2015/16</u>:		
Open Market re-design	(21)	(22)
Linacre Master Planning	(21)	(60)
Project Academy Phase 2	(38)	(52)
GP:GS supplies & services	(45)	(45)
GP:GS employees	(73)	(73)
TPIC/DIC - 2015/16 Repayment	34	34
Balance c/fwd 31st Mar 2016	989	935
<u>Outstanding Commitments:</u>		
Car parking improvements	(15)	(15)
Budget Savings Delivery Fund	(110)	(110)
TPIC/DIC telephony system - rev	(31)	(31)
TPIC/DIC telephony system - cap	(173)	(173)
GP:GS employees	(6)	(5)
Northern Gateway	(100)	(100)
Linacre Master Planning	(39)	-
HLC – admin space reconfiguration – approved growth bid in 2016/17	(46)	-
Project Academy Phase 2	(13)	-
TPIC/DIC - 2016/17 Repayment	34	34
Uncommitted Balance	490	**535**

6.6 The balance in the reserve was £190k above the revised estimate for 2015/16 due to slippage on approved expenditure. The uncommitted balance has reduced due to the new commitment for HLC (£46k) which was not included in the revised estimate.

6.7 **Other Earmarked Reserves** - these reserves are held for specific purposes. The total balance on these reserves increased by £0.7m over the revised forecast for the financial year 2015/16. The most significant changes include:

- Vehicle & Plant - £438k above the revised forecast due to reduced expenditure.
- Property Repairs Fund - £7k above the revised estimate due to increased expenditure.
- MMI Claw-Back Reserve – this reserve is intended to cover any future claw-back payments to MMI as the company is wound down. This process is likely to take many years. The first claw-back payment calculated as 15% of settled claims amounted to £204k and this was paid in in 2014/15. In March 2016 the Council was advised that the actuaries acting on behalf of MMI had increased the claw-back to 25%, the addition amount of £137k was, therefore, paid from the MMI Reserve in 2015/16.
- Insurance Reserve – this is a provision for claims which have not yet been reported. Once a claim is reported an amount is transferred into the Insurance Provision Account. An actuarial review of both the Insurance Reserve and Provision was last undertaken in 2013, with the new one due in the autumn of 2016.
- Retained Business Rates Reserve (£1.4m) – The reserve has been created to help finance the Council's share of the fund deficit (40% x £5.2m = £2.1m) which will hit the revenue account in future years (2016/17 and 2017/18).

6.8 **Provisions**

a) Transport Company Pensions Provision – this provision has been established to cover the Council's future liabilities for pension costs relating to the employees of the former Transport Company. The provision was last reviewed by the County Council's pension fund actuary in 2010/11. The County Council has been asked to include a review of the provision as part of the triennial Pension Fund review exercise which will take place during 2016.

b) Insurance Provisions – this is the amount set-aside to cover reported claims. The next actuarial review of the Insurance Provision and Reserve is due later in 2016.

c) MMI Claw-back Provision – this is the amount set aside to cover reported claims.

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

7.0 CAPITAL EXPENDITURE AND FINANCING

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

7.2 Actual expenditure on schemes was £8.6m compared with the original budget for the year of £14.7m (as at Feb 2015) and £11.1m at the revised budget stage (February 2016). The main reasons for the variance from the revised budget (-£2.6m) include:

- Overspends on:
  - ICT security (£124k) to ensure compliance with the latest government requirements

- Underspends on:
  - Waterside (£2,400k)
  - Vehicle & Plant (£298k)

7.3 On the financing side, the main reasons for the £2.6m reduction were:

- Loan for Waterside of £2.4m not drawn down due to delayed start of scheme
- Vehicle & Plant Fund contribution down be £282k, to reflect 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	-	700*	700
Add: Receipts in the year	402	3,835	4,237
Less: Housing receipts 'Pooled'	-	(941)	(941)
Less: Applied to repay debt	-	-	-
Less: Applied to finance GF cap ex	(402)	-	(402)
Less: Applied to finance HRA cap ex	-	(2,933)	(2,933)
Balance c/fwd 31st March	**-**	**661***	**661**

* The Housing balance of £661k 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 £5.6m to £0.3m due to all of the significant value disposals (Newbold School, Ashgate Road, Whitebanks, former Fire Station, Holythorpe Close and Gorse Valley) being moved into future years. 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 (£m)
Original Budget Forecast – start of year	5.6
Revised Budget Forecast – Jan 2016	0.3
Actual	0.4

8.3 The target receipts figure for 2016/17 is £1.8m which includes receipts from Newbold School. To date only £65k has been received so the target will be difficult to achieve. 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 £761,594. A surplus of £658,115 was estimated when setting the Council Tax for

2016/17. 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 2017/18. The Council's share of the increased surplus, at 10.4%, will be £10,762.

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 £4.5m at the start of 2015/16, with £1.3m paid out during the year and a need to top up the provision by £1.4m in order to end the year with a balance of £4.6m 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 £5.2m at the end of 2015/16. The Council's share of the deficit is £2.1m (i.e. 40% x £5.2m). This will be accounted for over two financial years:

2016/17 - a deficit share of £1.85m was estimated for the end of 2015/16 when the budgets for 2016/17 were set; £1.186m of this is to be met from the Business Rates Reserve created in 2013/14 and the remaining £666k charged to the budget in 2016/17.

2017/18 – £221k of the net surplus achieved in 2015/16 has been set aside in the Retained Business Rates Reserve and will be used in 2017/18 to offset the deficit share charged in that financial year.

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 Savings Targets, of:

- £1.3m in 2016/17;
- £2.0m in 2017/18;
- £2.2m in 2018/19;
- £2.9m in 2019/20; &
- £2.7m in 2020/21.

10.2 The medium term forecast will have to be updated to reflect the impact of budget variances recorded in 2015/16 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:

- The introduction of the Business Rates Retention Scheme in April 2013 transferred some significant financial risks to local government. The risks include the cost of backdated Business Rate appeals and the growth or decline in the Business Rate base due to re-valuations, claims for mandatory reliefs, etc. As we have seen in the first few years of the scheme it is difficult to predict the net income due to the Council even for just one year ahead and this becomes even more difficult over a longer horizon.
- Delays in 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 2015/16, 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 2015/16 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 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

<u>Cabinet</u>:

11.1 That the General Fund Revenue and Capital Outturn reports for 2015/16 be noted.

11.2 That the £448k revenue account surplus be transferred to the Budget Risk Reserve.

11.3 That the General Fund carry forward requests be considered (para 4.8).

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

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

<u>Full Council</u>:

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.

APPENDIX A

GENERAL FUND OUTTURN 2015/16

	Original £	Revised £	Outturn £	Variance Rev'd- Out £
Per Lead Member reports:				
Leader - Regeneration	496,000	479,460	**469,696**	(9,764)
Deputy Leader	765,390	330,480	**2,073,239**	1,742,759
Town Centre & Visitor Economy	(346,950)	(407,480)	**2,463,610**	2,871,090
Housing	1,396,450	1,435,750	**1,365,195**	(70,555)
Health & Wellbeing	8,221,700	8,764,250	**9,596,742**	832,492
Governance	2,546,560	2,547,370	**2,647,014**	99,644
Business Transformation	1,124,460	1,514,960	**1,618,493**	103,533
Other:				
Other Income	(8,850)	(27,228)	**(41,341)**	(14,113)
Transformation Savings	(911,300)	0	**0**	0
less allowance for delay etc	325,400	0	**0**	0
Staff vacancies allowance	(150,000)	0	**0**	0
Share of Internal Audit surplus	0	(17,500)	**(34,053)**	(16,553)
Share of Crematorium Surplus	(110,000)	(110,000)	**(110,000)**	0
Spirepride surplus	(36,000)	(150,000)	**(211,853)**	(61,853)
DSO (surplus)/deficit	0	0	**(24,334)**	(24,334)
Pay award	38,600	0	**0**	0
Other incl bad debt provision	50,000	50,000	**36,225**	(13,775)
Total Service Expenditure	13,401,460	14,410,062	**19,848,633**	**5,438,571**
Interest & capital charges	(2,159,350)	(3,304,180)	**(9,064,017)**	(5,759,837)
Contributions from Invest to Save	0	0	**0**	0
Contributions from Service Improvement Res	(36,320)	(171,850)	**(198,113)**	(26,263)
Contributions from Budget Risk Reserve	0	(66,290)	**(187,173)**	(120,883)
Contributions to Renewals Fund etc	146,000	146,000	**146,000**	0
To/(from) Business Rates Risk Reserve	0	0	**0**	0
To/from Reserves	(250,000)	(250,000)	**(249,531)**	469
DSO surplus/deficit to/from Reserves	0	0	**24,334**	24,334
Surplus/(Deficit) - to/(from) reserves	**(94,161)**	**225,213**	**447,851**	222,638
NET EXPENDITURE	11,007,629	10,988,955	**10,767,984**	

Financed By:			
RSG	2,362,741	2,362,741	**2,362,741**
Business Rates Baseline	3,061,874	3,061,874	**3,061,874**
Settlement Funding	5,424,615	5,424,615	**5,424,615**
Retained Business Rates Growth	741,231	1,132,047	**275,329**
Business rate pooling	404,000	366,000	**250,078**
S31 Business Rate Relief Grants	0	0	**951,244**
Council Tax Freeze Grant	48,044	48,044	**48,044**
Council tax support grants to parishes	(52,916)	(52,916)	**(52,916)**
Council Tax Fund Surplus/(Deficit)	69,958	69,958	**69,958**
Business Rates Fund Surplus/(Deficit)	(749,172)	(749,172)	**(749,172)**
Contrib'n (to)/from Business Rate Res.	319,889	(52,111)	**(251,586)**
Other Government grants	160,490	161,000	**161,000**
New Homes Bonus	616,218	616,218	**616,118**
Council Tax	4,025,272	4,025,272	**4,025,272**
TOTAL FINANCING	11,007,629	10,988,955	**10,767,984**

BR Growth Retention:			
Growth rate			
CBC 40% share of income	14,652,604	14,652,604	**14,652,604**
Less tarfiff	(11,049,252)	(11,049,252)	**(11,049,252)**
Add s31 grant re SBRR	549,656	576,256	**0**
Add s31 grant re other refiefs	301,241	296,282	**0**
Gross income before levy	4,454,249	4,475,890	**3,603,352**
Less Baseline Funding	(3,061,874)	(3,061,874)	**(3,061,874)**
Growth	1,392,375	1,414,016	**541,478**
Levy (NB 50% on nndr3 not nndr 1)	(696,000)	(324,000)	**(266,149)**
Adjs to Levy & Tariff	(176,000)	(176,135)	**0**
Retained BR re renewable energy	3,856	3,872	**0**
Grant re Multiplier Cap	217,000	214,294	**0**
BR Growth Retained above Baseline	**741,231**	**1,132,047**	**275,329**
Add Baseline Funding	3,061,874	3,061,874	**3,061,874**
Total BR Income Retained	3,803,105	4,193,921	**3,337,203**

APPENDIX B

2015/16 VARIANCE ANALYSIS - REVISED TO OUTTURN
(adjusted for movements in reserves)

Category	Description	Amout £'000	Totals £'000
Leader:	Net of all - no significant variances	(9)	(9)
Planning:	Dev. Control - Planning fees	(99)	
	Forward Planning - staff & services	(36)	
	Innovation Centres	(69)	
	Accountancy – bank charges & staffing	(23)	
	Insurance – contribution to Reserve	75	
	Industrial & commercial property rents	31	
	Estates	9	
	Other (net)	(27)	(139)
Town Centre/Visitor Economy	Car Parking - income	43	
	Winding Wheel - various	(24)	
	Pomegranate - income	(50)	
	Markets - income	15	
	Other (net)	(13)	(29)
Housing General Fund:	Net of all - no significant variances	(19)	(19)
Health & Wellbeing	Community Safety – staff & projects	(13)	
	Licensing – staff & income	(5)	
	Env Health – staff & public toilets	(20)	
	QP Sports Centre – staff & energy	(17)	
	Staveley HLC - various	(90)	
	Street Scene – kennelling + other	(20)	
	Other (net)	(16)	(181)
Governance:	Legal – contribution to reserves	(66)	
	Support Services – pay, rent income, etc	27	
	Elections	(15)	
	SLT – recruitment costs	14	
	Other (net)	(33)	(73)
Business Transformation:	Reprographics - income	7	
	HR / Training	(9)	
	Cost of tax collection	(50)	
	Benefits	193	
	PPP	(22)	
	BT, Project Academy, etc	(2)	
	Procurement	12	129
Sub-total - controllable budget variances			**(321)**
Internal Recharges:	Support Service Recharges	10	10
Non-Portfolio Budgets:	Internal Audit surplus	(17)	

	SpirePride surplus	(62)	
	Interest & Capital charges	(15)	
	Retained business rates - Pooling	116	
	Retained business rates – to reserve	105	
	Other	(39)	88
Overall Outturn Variance			**(223)**

Reconciliation to totals	Outturn surplus		(448)
	Less Revised estimate		(225)
	Change in surplus		**(223)**

GENERAL FUND SERVICE EXPENDITURE SUBJECTIVE ANALYSIS

	Original	Revised	Outturn	Variance Original to Outturn		Variance Revised to Outturn	
	£'000	£'000	£'000	£'000	%	£'000	%
Expenditure:							
Employees	9,220	9,723	**9,282**	62	0.7	(441)	(4.5)
Premises	4,697	4,481	**4,399**	(298)	(6.3)	(82)	(1.8)
Transport	142	125	**119**	(23)	(16.2)	(6)	(4.8)
Supplies & Services	6,035	6,384	**6,221**	186	3.1	(163)	(2.6)
Transfer Payments	37,929	37,235	**37,159**	(770)	(2.0)	(76)	(0.2)
Agency & Contracted	9,847	9,802	**9,667**	(180)	(1.8)	(135)	(1.4)
Central & Dept Support	8,286	8,100	**8,457**	171	2.1	357	4.4
Capital & Asset Charges	4,229	5,213	**10,958**	6,729	159.1	5,745	110.2
HRA Contribution	648	607	**606**	(42)	(6.5)	(1)	(0.2)
Transfer to Reserves	0	(4)	**(4)**	(4)		0	0.0
Total Expenditure	81,033	81,666	**86,864**	5,831	7.2	5,198	6.4
Income:							
Rents	7,615	7,544	**7,504**	111	1.5	40	0.5
Sales	527	518	**521**	6	1.1	(3)	(0.6)
Fees & Charges	7,358	7,463	**7,521**	(163)	(2.2)	(58)	(0.8)
Grants	39,449	38,749	**38,611**	838	2.1	138	0.4
Recharges & other	12,683	12,982	**12,858**	(175)	(1.4)	124	1.0
Total Income	67,632	67,256	**67,015**	617	0.9	241	0.4
Total Service Net Expd	13,401	14,410	**19,849**	6,448	48.1	5,439	37.7

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	1,068	750	312
	Wheelie Bin Replacements	143	99	93
3241	Property Repairs	717	743	750
3244	Asset Management	44	17	17
3246	Risk Mgt Initiatives	5	5	5
3248	Zurich - Risk Mgt Reserve	5	-	-
3263	Museum Exhibits	25	25	25
3264	Planning LDF Review	260	260	260
3265	Flooding Restoration Fund	82	74	74
3378	MMI Clawback Reserve	503	366	493
3380	ICT	-	132	-
3390	Insurance - claims not yet reported	567	567	567
3391	Working Neighbourhoods WNF	118	-	-
3398	GP:GS Reserve	105	-	-
3399	Retained Business Rates Res.	238	1,438	1,185
3417	STWA tenants consultation	-	30	30
	Earmarked Reserves	**3,880**	**4,506**	**3,811**
3388	Budget Risk (incl. 13/14 surplus)	781	1,043	358
3389	Invest to Save	286	274	151
3412	Service Improvement	1,153	989	799
	Reserves Total	**6,100**	**6,812**	**5,119**
3237/8	Insurance - reported claims	689	837	610
3247	MMI Claw-back	10	87	-
3239	Transport Co. Pensions	932	913	915
	Provisions Total	**1,631**	**1,837**	**1,525**
	Reserves & Provisions Total	**7,731**	**8,649**	**6,644**

GENERAL FUND CAPITAL PROGRAMME 2015/16

	Original £'000	Revised £'000	Actual £'000	Variance Rev to Act £'000
CAPITAL EXPENDITURE:				
Hollis Lane Flood Resilience Work		23	23	0
Brampton Flood Resilience Work	300	80	73	(7)
IT Strategy (from ICT Reserve)	146	64	0	(64)
ICT ORB Licences			99	99
Website Development			45	45
ICT Security			44	44
Vehicles & Plant (V&P Reserve)	1,295	710	412	(298)
Home Repairs Assistance	200	275	208	(67)
Disabled Facilities Grants	650	650	608	(42)
RSL Assistance: Waterside/Frecheville St	283	283	283	0
Fuel Poverty			(12)	(12)
Staveley King George V Bowls Pavilion		6	39	33
Inkerman Park Footpath		3	3	0
Market Hall Refurbishment		39	11	(28)
Eastwood Park Restoration Scheme		1	1	0
Venues Refurbishment		12	11	(1)
Erin Road Pumping Station		50	43	(7)
Car Parks - Ticket Machines	270			0
Building Maintenance - IT System		126	139	13
Net Call	50			0
Inkersall Green	20			0
Council House acquisition	1,721			0
Waterside	2,400	2,400	0	(2,400)
Eastwood Park Sports Pavillion		4	4	0
Queen's Park Sports Centre - New Build	6,676	6,071	6,041	(30)
Queen's Park Sports Centre - Demolition		92	0	(92)
Town Hall Alterations (GPGS)	530	7	1	(6)
Replacement of Winding Wheel Boilers		110	89	(21)
Dunston Innovation Centre PV Panels		39	39	0
Whitebank Sportsground Improv's (Cap)		13	10	(3)
CBC Innovation Centres ICT Upgrade	137			0
Sub-total – cap ex	**14,678**	**11,106**	**8,214**	**(2,844)**
Revenue				
Whitebank Sportsground Improv's (Rev)		19	18	(1)

ICT Strategy (From ICT Reserve)			285	285
Town Hall Alterations (GPGS)		22	22	0
Dunston Innovation Centre PV Panels		16	16	0
Eastwood Park Sports Pavillion		10	10	0
	14,678	**11,125**	**8,565**	**(2,560)**

	Original £'000	Revised £'000	Actual £'000	Variance Rev to Act £'000
CAPITAL FINANCING				
Prud Borrowing: QPSC New Build	2,164	1,499	1,153	(346)
Prud Borrowing: Council House	1,171			0
Loan - Waterside	2,400	2,400	0	(2,400)
Repay Cnl Hse borrowing	(1,171)			0
Cap Rects - Council Hse	550			0
Grants & Contributions - see below	4,798	5,592	5,576	(16)
Capital Receipts	5,042	287	402	115
ICT Reserve	146	64	103	39
GPGS Reserve ICT – Revenue			105	105
Budget Risk Reserve ICT – Revenue			77	77
Revenue Contributions (various)			66	66
Vehicle & Plant Reserve	1,295	710	152	(558)
Vehicle & Plant Reserve (Parking Equip)	144			0
Vehicle & Plant Reserve (QPSC New Bld)	150	145	421	276
Property Repairs Reserve (WW Boilers)		110	89	(21)
Property Repairs Reserve (DIC PV Panels)	50	55	39	(16)
Home Repairs Reserve		75	0	(75)
Service Imp Res - Innov Ctrs ICT cap	87			0
Service Imp Res - Car Parks ticket m/c's	15			0
Invest to Save Res - Venues refurb		12	12	0
Invest to Save Res - Car Parks ticket m/c's	111			0
Invest to Save Res - Netcall	50			0
DSO/DLO Reserve (Repl. IT System)		126	139	13
Budget Risk Reserve (Erin Road Pump Stn)		50	43	(7)
Budget Risk Reserve ICT (Idox)			99	99
Budget Risk Reserve ICT (Website & Security)			89	89
Repay borrowing: Ex-Fire Station Site	(544)			0
Repay borrowing: Market Hall Refurb	(618)			0

Total resources available in year	**15,840**	**11,125**	**8,565**	**(2,560)**
Less total expenditure in year	14,678	11,125	8,565	(2,560)
Net in-year surplus / (deficit)	**1,162**	**0**	**0**	**0**
Surplus / (deficit) b/f from prev yr				0
Cum surplus / (deficit) c/f	**1,162**	**0**	**0**	**0**

	Original £'000	**Revised £'000**	**Actual £'000**	**Variance Rev to Act £'000**
CAPITAL GRANTS etc:				
S106: Whitebank Close Sportsground		13	11	(2)
S106: RSL Financial Assistance		237	237	0
S106 Inkersall Green	20			0
New Homes Bonus	63			0
Inkerman Park Footpath - Biffaward		24	24	0
Flood Relief Grant - CLG	45	8	8	0
Flood Risk Management Grant - EA	255	87	80	(7)
C'field College - QPSC New Build	2,500	2,500	2,500	0
Disabled Facilities Grants (CLG/PCT)	650	650	608	(42)
Home Repairs Assistance (FILT / SSE)		10	14	4
Eastwood Park - HLF		2	0	(2)
Venues Refurbishment - Arts Council		25	25	0
QPSC New Build - English Squash	25	25	25	0
Staveley King George Bowls Pavilion SE		52	53	1
Staveley King George Bowls Pavilion - Viridor			21	21
QPSC New Build - Sport England	1,240	1,940	1,970	30
Sub-total – Cap Grants	**4,798**	**5,573**	**5,576**	**3**
S106: Whitebank Sportsground (Rev)		19	0	(19)
Grants Total	**4,798**	**5,592**	**5,576**	**(16)**

APPENDIX F

BUDGET CARRY FORWARD REQUEST – FORWARD PLANNING

Description	The request is to carry over the unspent budget in the Professional Services part of the Strategic Planning Budget (CC0011) The code on CC0011 had £1,410 of expenditure against a budget of £30,900 for 2015/16. (The original budget was £17,000 and a further £13,900 was added at revised budgets as part of the approved carry forward from 2014/15). This budget was intended to allow the completion of evidence base work to support the preparation of a revised Local Plan. However delays in commissioning this work, resulting from procurement issues (lack of interest leading to a revised commissioning brief) and the receipt of revised household projections on which to base the evidence meant that these were not commissioned in 15/16. This would mean the carryover of the unspent portion of the 15/16 budget (£15,590) resulting in a revised budget of £32,590 for 16/17. Over the 16/17 period it is intended to commission: • Retail Capacity Study (£10,000) • Strategic Gaps and Green Wedges Study (£15,000) • Chesterfield Flood Risk Assessment (£6,000) The remainder of the budget would be held in reserve in case of the need to undertake further reactive work to support the examination of the Local Plan or respond to specific development proposals.
Reported to Members	
Corporate, cross-cutting (community safety, equality, etc) and service priorities	Corporate Priorities: Thriving Borough 1. To make sure that local people benefit from growth in Chesterfield Borough 2. To continue delivering regeneration projects that will make Chesterfield Borough a better place 3. To develop our great town centre Improve the quality of life for local people. 5. To increase the supply and quality of housing in Chesterfield Borough to meet current and future needs 6. To increase the quality of public space for which the council has responsibility through targeted improvement programmes 7. To improve the health and well-being of people in Chesterfield Borough 8. To reduce inequality and support the more vulnerable members of our communities
Mandatory / discretionary	Discretionary
Revenue Implications One-off or on-going	One-off

Savings identified elsewhere	An annual contribution of £34,000 towards the Local Plan Examination Reserve as the decision to progress a single Local Plan, rather than continue with a two part plan, has reduced the number of potential Examinations to be expected over the next five years)
Partnership opportunities	The Retail Capacity Study is being undertaken jointly with North East Derbyshire and Bolsover District Councils. Part of the carry-over would be used to support a joint study with the Environment Agency on updating flood risk modelling for Chesterfield, and for joint work with the Environment Agency, Derbyshire County Council, Yorkshire Water and Severn Trent Water on developing an integrated flood model for testing development proposals.
Grants and joint financing opportunities	See above
Charging policy	There is currently no charging policy in place. The carry over would support work integral to charged work in the Development Management team (see below).
Consultation undertaken	Consultation with Neil Johnson – Economic Growth Manager
Affect on other services	The carry-over would support the work of the following services: • Development Management – by allowing provision of up to date evidence to support planning application decisions and provide a robust Local Plan context • Economic development - by providing evidence to support proposals for a revised Northern Gateway Scheme (Retail Capacity Study)
Implications if not approved	The council would not be able to complete pieces of evidence critical to the publication of a revised Local Plan (in autumn 2016) in this financial year. Although evidence could be completed in subsequent years, extended delay could lead to the need to update other pieces of evidence and miss the government's deadline of publishing Local Plans by 2017, with the threat of Government Intervention and loss of control of plan-making.
Suggested performance targets/indicators	Commissioning and completion by March 31st 2017 of: • Retail Capacity Study • Strategic Gaps and Green Wedges Study • Chesterfield Flood Risk Assessment • Viability appraisal of Local Plan
Other Comments:	

APPENDIX G

BUDGET CARRY FORWARD REQUEST – LEARNING & DEVELOPMENT

Description	Corporate Learning & Development Training budget
Reported to Members	
Corporate, cross-cutting (community safety, equality, etc) and service priorities	To help continue to meet the Councils priorities
Mandatory / discretionary	Discretionary
Revenue Implications One-off or on-going	One off
Savings identified elsewhere	None
Partnership opportunities	None
Grants and joint financing opportunities	
Charging policy	
Consultation undertaken	
Affect on other services	Will provide additional training support to all service areas.
Implications if not approved	Over the past few years the training and development budget has been supplemented with additional ESF and Government funding that has been gained. Due to emphasis for funding now being around Apprenticeships and the reduction in grant funding, moving forward the amount of L & D training that can be delivered with the current budget will be significantly reduced. As a result the carryover of £6470 will be used to help supplement the cost of a Learning Management System. The basic cost will be £22,800 per year which will provide training for 1000 employees, with an additional £4,255 in the first year for the synchronisation of data from Resource Link in to the LMS system and in year 2 this cost would be £1,500. The contract for the system would be over a two year period with fees being paid annually. There is also the opportunity to further develop the system to include an on-line EPD process for managers and employees to use which SLT are interested in and has asked for costs for this module also.

	By implementing an on line system it will support the Councils corporate and mandatory training requirements for training such as, Data protection/FOI/ Safeguarding/Equality & Diversity/ Health &Safety. Also within the Government catalogue there are courses for Health & Wellbeing/ Recruitment & Selection /Information Security/ Managing People/Personal skills/Change management etc. The system will provide alerts to managers to let them know when an employees has not completed the set training and will notify when refresher training is required. From a central admin point reports can be produced to show how many employees have undertaken a training course and will give names of who is outstanding which will allow the Council to demonstrate what training has taken place if audited. It will also support managers and staff with soft skills training that has been identified through the EPD process. The Learning Pool System is currently used by 240 local authorities.
	Learning & Development assists the Council in meeting the following corporate priorities/targets. To become financially sufficient by 2020 so we can continue to deliver the services the communities need: Through improving the technology that supports our service delivery and increase skills and capacity of our staff to work in a more commercial manner Assist with Key Projects i.e. : Delivery of the 2015-19 workforce plan Support with maintaining the Investors in People standard.
Other Comments:	

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KPMG

External Audit Report 2015/16

Chesterfield Borough Council

— September 2016

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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit 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 Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one: Introduction

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and**
- **Our assessment of the Authority's arrangements to secure value for money (VFM).**

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Scope of this report

This report summarises the key findings arising from:

- Our audit work at Chesterfield Borough Council ('the Authority') in relation to the Authority's 2015/16 financial statements; and
- The work to support our 2015/16 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 2015/16*, presented to you in March 2016, set out the four stages of our financial statements audit process.

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July 2016.

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 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 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 2015/16 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix One.

Acknowledgements

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

Section two: Headlines

Headlines

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

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

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. 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 material adjustments. We have agreed a number of minor presentational changes to the accounts with the finance team. 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 identified the following key financial statements audit risks in our 2015/16 External Audit Plan issued in March 2016: - New bank accounts; and - Business rate appeals. During the year we identified an additional risk in relation to the implementation of a new housing repairs and maintenance system which resulted in us carrying out additional work. We have worked with officers throughout the year to discuss these key risks and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.

Headlines (cont.)

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

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

Accounts production and audit process	We received complete draft accounts on 29 June 2016 in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code. 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 has been completed within the planned timescales. As in previous years, we will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particular we would like to thank officers who were available throughout the audit visit.
VFM conclusion and risk areas	We identified financial resilience as a VFM risk in our External Audit Plan 2015/16 issued in March 2016. We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report. The Authority has experienced capacity issues with the Section 151 Officer post being vacant over the summer. It is important that the Authority continues to monitor the financial position and that the reasons behind the variances in the 2015/16 outturn position are understood. 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 2016.

Headlines (cont.)

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

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

Completion	At the date of this report our audit of the financial statements is substantially complete subject to our final procedures in respect of the following areas: — A review of assurances from the Derbyshire County Council LGPS auditor; — Our final file reviews; and — Checking and agreeing the final set of financial statements. You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Section 151 Officer on 23 August 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. 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.

Section three: 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.

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 on the Authority's financial statements following approval of the Statement of Accounts by the Standards and Audit Committee on 21 September 2016.

Audit differences

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

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £1.1m. Audit differences below £55k are not considered significant.

We did not identify any material misstatements. Of the other audit adjustments we have identified, the most significant in monetary value was as follows:

— an increase to the business rates rateable value disclosed in the collection fund of £417k to reflect the figure provided by the Valuation Office Agency.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority will be addressing these where significant.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

— It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and

— It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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In our External Audit Plan 2015/16, presented to you in March 2016, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant Risk 1

— New bank accounts

The Authority has transferred its banking arrangements during the year from the previous provider and there is consequently a risk that data was not transferred correctly.

— Findings

We reviewed the transfer of the bank accounts to the new provider and identified no issues of concern.

Significant Risk 2

— Business rate appeals

The provision for business rate appeals is a risk as local authorities have little control over the level of appeals and their outcome. It is difficult to anticipate the financial impact of successful appeals and so the potential change in rateable value needs to be estimated. Also, there is usually no indication of timescales to settle an appeal, making it hard to measure when the financial impact will fall.

— Findings

We reviewed the approach to estimating the provision for business rate appeals against the requirements of International Auditing Standard 37 – Provisions, Contingent Liabilities and Contingent Assets and no issues were identified.

Significant audit risks (cont.)

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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During the year we identified the following additional significant risk:

Significant Risk 3

— Change of repairs and maintenance system

In July 2015 the Authority implemented a new housing repairs and maintenance system. There is an associated risk in terms of potential loss of data on transition to the new system and for the control environment to become weakened as a result of the change.

— Findings

We reviewed the processes in place for ensuring that the information from the old system fully transferred into the new system including a reconciliation between the systems. No issues were identified.

We tested the controls in operation in the new system and found these to be operating effectively.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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In our External Audit Plan 2015/16 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.

Fraud risk of revenue recognition

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

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

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

Management override of controls

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

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

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

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

Other areas of focus

In our External Audit Plan 2015/16, presented to you in March 2016, we identified one area of audit focus. This was not considered as significant risks but area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for the area of audit focus.

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Area of focus 1

— Changes to accounting standards

Our audit will consider changes to accounting standards, for example the measurement at fair value of any surplus assets which are not held for sale and when you should recognise a liability for a levy imposed by a government.

— Findings

We have undertaken a review of the treatment adopted in respect of surplus assets and we are satisfied that the treatment adopted is reasonable. We have not identified any issues in respect of the recognition of liabilities from levies.

Judgements

We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:

Level of prudence

0 1 2 3 4 5 6

Audit difference | Cautious | Balanced | Optimistic | Audit difference

Acceptable range

Assessment of subjective areas				
Asset/liability class	**15/16**	**14/15**	**Balance**	**KPMG comment**
Business Rate Appeals Provision	3	3	£4.6m *(PY: £4.5m)*	The Authority employs an independent company to assess the appeals and assist in the calculation of an appropriate provision. If further appeals come to light, the Authority will need to ensure there are sufficient reserves to fund this.
Property, Plant and Equipment (valuations / asset lives)	3	3	£359m *(PY: £343m)*	The value of Council Dwellings has increased this year as a result of additions totalling £15m relating largely to property improvements. This has been partly offset by a downward revaluation and corresponding disposals.
Pensions Reserve	3	3	£61m *(PY: £75m)*	This balance includes a movement in discount rate, inflation, discount rate and life expectancy. There has been an actuarial gain in year to the Authority. Management review the assumptions made by the actuary and we have agreed the reported figures to actuary reports.

Accounts production and audit process

We have noted that the quality of the accounts and the working papers met the required standard.

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

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Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has continued to maintain a good financial reporting process. The Authority must now aim to bring forward the production of the accounts in readiness for the new 31 May statutory deadline which comes into effect in 2017/18. This will need to achieved whilst also maintaining the quality of the accounts and working papers. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2016. The deadline of 30 June will end after the submission of the 2016/17 accounts.
Quality of supporting working papers	Our Accounts Audit Protocol, which we issued on 27 June 2016 and discussed with the Acting Section 151 Officer, 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 responding in a reasonable time.

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.

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 2016, 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 four 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 Acting Chief Finance Officer for presentation to the Standards and Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

— Significant difficulties encountered during the audit;

— Significant matters arising from the audit that were discussed, or subject to correspondence with management;

— Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and

— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

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

Section four: Value for Money

VFM Conclusion

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

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

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

Background

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

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

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.

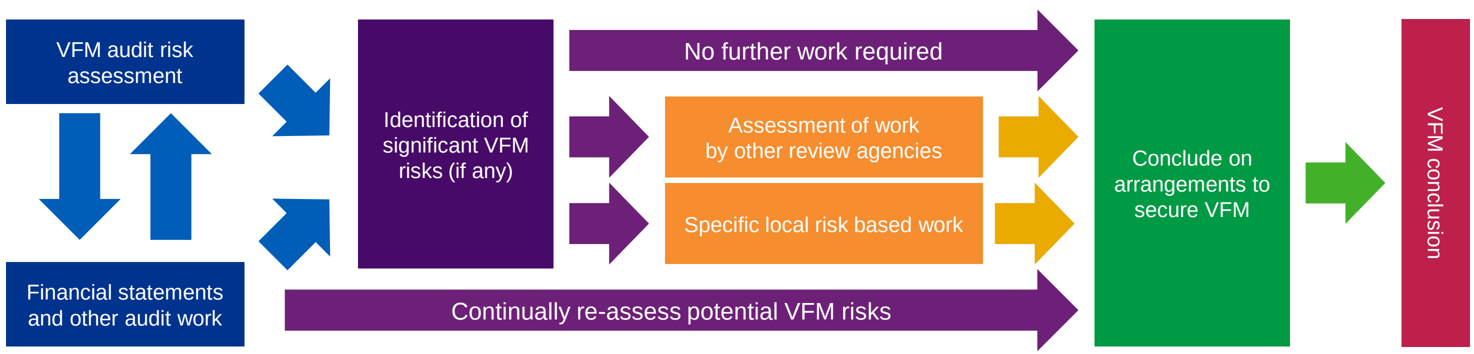
Conclusion

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

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making	Sustainable resource deployment	Working with partners and third parties
✓	✓	✓
Met	**Met**	**Met**



Specific VFM Risks

We have identified a specific VFM risk around financial resilience. In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have undertaken some work to date in response this risk.

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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; and

— completed specific local risk based work.

Key findings

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

The financial outturn for the year was a net surplus of £448k compared with the original budget forecast of a £94k deficit and a revised budget forecast of £225k surplus. The key variances were predominantly in relation to planning and health and wellbeing.

In the report to cabinet on 14 June 2016 it was noted that further work was required to establish which variances were likely to recur in future years. The results of this exercise were due to be included in the next budget monitoring report to Cabinet, however, this work has yet to be undertaken due to a lack of senior capacity with the Section 151 Officer post being vacant over the summer.

The new Section 151 Officer will need to act quickly to get the required understanding of the Authority in order to lead the financial analysis, however tackling the financial position is a matter for all officers.

Specific VFM Risks (cont.)

Key VFM risk	Risk description and link to VFM conclusion	Assessment
Financial resilience	**Financial Resilience** The Government's Autumn Statement and Spending Review indicated its intention to change funding sources over the next few years, with less reliance on Revenue Support Grant and increasing dependence on business rates income. That, together with likely reductions in New Homes Bonus (NHB) funding from 2017/18 means that local government bodies face a challenging future. The Authority has anticipated there deductions in Government funding in budget forecasts, as well as inflationary pressures, but it will need to ensure that it continues to deliver efficiencies. A balanced budget was set for 2015/16 including circa £600k planned savings. Going forward, the financial position remains challenging for the Authority with significant deficits forecast before savings for the next four years. In addition to the pressures upon the Authority's General Fund, recent government announcements concerning future rent reductions for social housing will impact upon the Authority's Housing Revenue Account. This is relevant to the informed decision making and sustainable resource deployment sub-criteria of the VFM conclusion.	We have reviewed the Authority's Medium Term Financial Plan (MTFP) and outturn for 2015/16. The key findings are: • The Authority recognises the budget pressures it faces in the medium term, most notably reductions in the Revenue Support Grant provided centrally. Projections in the revised plan show the need to make savings of over £11m over the life of the current MTFP, in addition to the savings already achieved. The Authority has acknowledged the need to analyse savings achieved in previous years to assess what measures have been successful. • The Authority has reported a surplus of £448k in 2015/16 against an original budgeted deficit of £94k and a revised budget surplus of £225k. The year end outturn position showed a significant positive variation on the outturn position being forecast and reported to Members throughout the year. The most significant variances have been identified, however it is important that the reasons behind the variances and the impact of these on future years is understood. • The Authority has achieved its general fund reserves target of £1.5 million at the end of 2015/16. At 31 March 2016 the Authority has £10.4 million of general fund earmarked reserves. However, it should be noted that the majority of these are already committed to projects. As per the report to Cabinet on 14 June 2016 the uncommitted balance on these reserves was £1.35m.

Addressing the VFM conclusion

In reaching our VFM conclusion we have considered the Authority's arrangements for securing financial resilience.

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Addressing the VFM conclusion

In reaching our VFM conclusion we have considered the Authority's arrangements for securing financial resilience. This has included detailed reviews of key documents including the MTFP.

We have taken into account the issues which the Authority has been addressing throughout the year in respect of devolution, the impact that this has on the Authority's plans going forward and the actions taken to mitigate those risks.

We have also given consideration to the robustness of the MTFP and whether the assumptions around future funding and income streams are appropriate. This includes regular discussion with key officers about the Authority's plans for growth and future income generation.

We also considered whether the proposed budgets appropriately reflected the financial risks being faced by the Authority including the phasing out of Revenue Support Grant (RSG), probable changes to the New Homes Bonus scheme which are expected to be confirmed during 2016/17 and reforms to National Non Domestic Rates (NNDR).

Our work concluded that the planning assumptions made by the Authority were reasonable. We recognise that there are significant uncertainties about the future of local government financing, for example the details of reform to Business Rates and New Homes Bonus. When clarity is provided by Central Government, we will discuss the implications with the Section 151 officer at our regular liaison meetings.

Our findings in relation to 2015/16

Our findings in respect of the financial outturn for 2015/16 are summarised on page 21. Other key findings from our review of your arrangements are as follows:

- Government grant income is based on known settlement funding or reasonable assumptions concerning future entitlement. We have agreed amounts included in the MTFP for revenue support grant and baseline funding to the local government finance settlement from DCLG.
- The Authority has agreed policies on budgeting, fees and charges and, reserves which we have reviewed. Whilst the Authority has made savings over a number of years, it recognises that strategic solutions will be necessary to deliver the required level of savings for the coming years . It has established its strategic direction for achieving savings under the transformation programme "Great Place: Great Service" (GPGS) which focuses on Customer Service, ICT, Workforce and Asset Management to transform and modernise service delivery.

Addressing the VFM conclusion (cont.)

In reaching our VFM conclusion we have considered the Authority's arrangements for securing financial resilience.

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Our findings in relation to 2015/16 (cont.)

- The Authority flags a number of risks and uncertainties within its MTFP, including interest rates, inflation and business rates growth. We have reviewed the assumptions contained within the MTFP and concluded they are reasonable. The MTFP also includes sensitivity analyses to assess the impact of any changes in assumptions and we have assessed these and found them to be reasonable.
- The devolution process is progressing well, however the work involved has had a significant impact on the capacity of the Chief Executive. The devolution process will continue to impact on the time of senior management over the next 12 months and this will need to be managed carefully.

2016/17

We have reviewed the assumptions made in drafting the 2016/17 budgets.

The budget forecasts approved at the start of the year showed a deficit for 2016/17 before savings of £1.4m. In the latest cabinet report dated 23 February 2016 the forecast for 2016/17 is a £236k deficit. The medium term forecast will need to be updated to reflect the impact of the budget variances recorded in 2015/16 that are likely to be of a recurring nature. This will require further work to get a better understanding of why the variances occurred.

Appendices

Appendix 1: Key issues and recommendations

Appendix 2: Materiality and reporting of audit differences

Appendix 3: Independence and objectivity

Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	❷	**Accounts Production Process** The deadline for the production of the accounts is moving to 31 May with effect from 2017/18. The Authority now only has one more year to bring forward the production of the accounts in light of this change. This will need to be done whilst ensuring that the quality of the accounts is not diminished. **Recommendation** The closedown plan for 2016/17 should allow for an earlier closedown and preparation of the financial statements.	We have already begun bringing deadlines forward as part of the 2015/16 final accounts process which was reflected in the timetable issued. The final accounts timetable for 2016/17 will detail a 31 May 2017 completion date.
2	❷	**Pension Shortfall** The Authority is reliant on the Pension Fund Administrator to provide pension shortfall figures which are required to be disclosed in the exit packages note where the Authority is committed to redundancy. This information was not disclosed in 2015/16 as the information was not available from the Pension Fund Administrator in time. **Recommendation** It is recommended that the information from the Pension Fund Administrator is requested earlier in the process in order to ensure that pension shortfall figures can be disclosed.	Pension Shortfall figures where included in the 2015/16 Exit Packages note for the individuals we had received estimates for from the Pension Fund Administrator. We requested pension shortfall estimates from the Pension Fund Administrator for all individuals whose employment terminated as soon as we became aware of the termination. We are unable to influence the time taken for responses to the request.

Key issues and recommendations (cont.)

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
3	❷	**Financial Outturn** The financial outturn position showed a positive variation on that being forecast and reported to Members throughout the year. A summary of the most significant variances was reported to Cabinet in June 2016, however it was noted that further work was required to establish which variances are likely to recur in future years. **Recommendation** It is recommended that the reasons behind the variances and their continued impact on the financial position be produced as soon as possible so that learning points can be established and amendments made to current year budgets, as necessary.	An analysis of areas (Expenditure and Income) which have consistently underspent over the past 3 years has been produced. This analysis is currently being used in budget challenge sessions and should enable us to build savings into our latest budget therefore ensuring we are communicating as accurate a position as possible to Members.

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.

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

Uncorrected audit differences

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

Corrected audit differences

Material misstatements

There were no material misstatements.

Non material 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 have also been made to the draft financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Materiality and reporting of audit differences

For 2015/16 our materiality is £1.1m for the Authority's accounts.

We have reported all audit differences over £55k for the Authority's accounts.

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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 2015/16, presented to you in March 2016.

Materiality for the Authority's accounts was set at £1.1m which equates to around 1% 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 £55k 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.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

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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:

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

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

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

— Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

— The related safeguards that are in place.

— The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

Declaration of independence and objectivity (cont.)

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.

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.

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 Council for the financial year ending 31 March 2016, 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.

Audit Independence

Audit Fees

Our scale fee for the audit was £52,445 plus VAT (£69,927 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Standards and Audit Committee in March 2016. Our scale fee for certification for the HBCOUNT was £6,465 plus VAT.

Non-audit services

We have summarised below the non-audit services that we have been engaged to provide, the estimated fee, the potential threats to auditor independence and the associated safeguards we have put in place to manage these.

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Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Certification of the Pooling of Housing Capital Receipts Return	£3,000	**Self interest** – This engagement is entirely separate from the audit and there is a separate engagement letter in place. **Self review** – The nature of this work is to certify the Pooling of Housing Receipts in accordance with the specific assurance instructions set out by DCLG in CFB06. It does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. **Management threat** – This work will being undertaken in accordance with the Assurance Instruction CFB06 provided by DCLG. **Familiarity** – This threat is limited given the scale, nature and timing of the work. **Advocacy** – We will not act as advocates for the Authority in any aspect of this work. We report our findings directly to DCLG. **Intimidation** – Not applicable.
Total estimated fees	**£3,000**	
Total estimated fees as a percentage of the external audit fees	**5.7%**	

kpmg.com/uk

(Letterhead)

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

21 September 2016

Dear Tony

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council ("the Authority"), for the year ended 31 March 2016, 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 2016 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 2015/16.

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 the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2016 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 2015/16.

   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.

Information provided

4. 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.

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

6. The Authority confirms the following:

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

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

    ii) The Authority has disclosed to you all information in relation to:

    a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
        - management;
        - employees who have significant roles in internal control; or
        - others where the fraud could have a material effect on the financial statements; and

    b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

    In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

10. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Standards and Audit Committee on 21 September 2016.

Yours sincerely,

Cllr M Rayner
Chair of the Standards and Audit Committee

H Fox CPFA
Acting Chief Financial Officer

<u>Appendix to the Authority Representation Letter of Chesterfield Borough Council: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

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

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 2015/16.

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 penson 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

ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY (Including Money Laundering Policy)

Meeting:	Standards and Audit Committee
Date:	21st September 2016
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 The purpose of this report is to present for consideration by the Standards and Audit Committee the Council's draft updated Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) which is attached as Appendix A to this report.

2.0 Recommendations

2.1 That The Standards and Audit Committee approve the the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) attached at Appendix A.

3.0 Report details

3.1 One key element of effective financial governance is that the Council has appropriate arrangements in place in respect of fraud. The Council last reviewed its Anti-Fraud and Corruption Strategy and Money Laundering Policy in 2013. It was agreed at the time that the

Strategy should be periodically reviewed to ensure that it is kept up-to-date and remains relevant.

3.2 In line with good practice for all public bodies the Council should have in place an up to date Anti –Fraud and Corruption Strategy. The formal commitment to this strategy will serve to restate the Council's zero tolerance of fraud and all forms of malpractice. The refresh of the strategy will also provide an opportunity to promote the key message to both Members and Employees.

3.3 The strategy that has been recommended for adoption has been reviewed and updated to reflect developing good practice. The Corporate Management Team has been consulted on the content of the Strategy. If there are further legislative or changes in best practice then the strategy will be reviewed accordingly.

4.0 Human resources/people management implications

4.1 None

5.0 Financial implications

5.1 There are no direct financial implications of adopting the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy), and it is envisaged that any costs will be met within existing budgets.

6.0 Legal and data protection implications

6.1 Fraud, Bribery, Corruption and Money Laundering are all criminal activities. This strategy is intended to minimise the risk that the Council suffers as a result of such activity, or that the Council is unwittingly used to undertake or assist such activity.

6.2 There are no data protection issues arising directly out of this report.

7.0 Consultation

7.1 The Corporate Management Team has been consulted.

8.0 Risk management

8.1 The development and effective publication of a revised strategy will help to mitigate the risk of fraud and help ensure that the Council has effective measures in place to deter, prevent and detect fraud and corruption.

8.2 The failure to minimise fraud and corruption could lead to a significant risk of a critical public response and loss of credibility thereby undermining the reputation of the Council.

9.0 Equalities Impact Assessment (EIA)

9.1 A preliminary Equality Impact Assessment has been undertaken which has concluded that the updated strategy is not anticipated to have a disproportionate impact on any protected group.

10.0 Alternative options and reasons for rejection

10.1 Not Applicable.

11.0 Recommendations

11.1 That The Standards and Audit Committee approve the the Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy) attached at Appendix A.

12.0 Reasons for recommendations

12.1 To ensure that the Anti-Fraud and Corruption Strategy is kept up to date and is effectively publicised which will reduce the risk of fraud.

Decision information

Key decision number	
Wards affected	**All**
Links to Council Plan priorities	Taking steps to deter and prevent fraud and corruption helps to achieve value for money

Document information

Report author	**Contact number/email**
Jenny Williams – Internal Audit Consortium Manager	01246 345468

Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Anti-Fraud, Bribery and Corruption Strategy including Money Laundering policy

Chesterfield Borough Council

Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy)

POLICY STATEMENT

Chesterfield Borough Council expects that both Members and Officers will demonstrate the highest standards of behaviour in the conduct of public business.

In undertaking its functions and activities, the Council will not tolerate any form of fraud, corruption, bribery, abuse of position or other malpractice, whether it is attempted by persons or organisations within or external to the Council.

The Council is committed to working in an open, honest and fair way and will:

- Maintain a policy and culture characterised by zero tolerance of fraud and malpractice
- Encourage the prevention of fraud, bribery and corruption or other malpractice
- Promote the detection of fraud, bribery, corruption or other malpractice
- Maintain clear procedures for investigation and further action where necessary

It is expected that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations, with which it comes into contact, will act towards the Council with honesty and integrity.

The Council expects all partners in both public and private sectors to establish robust and transparent governance arrangements.

CHESTERFIELD BOROUGH COUNCIL

Anti-Fraud, Bribery and Corruption Strategy

1. INTRODUCTION

1.1 The Council is opposed to all forms of fraud and corruption. It recognises that fraud and corruption undermine the standards of public service which it promotes and reduce the resources available for the good of the whole community and erodes public confidence in our governance.

1.2 The Anti-Fraud, Bribery and Corruption Strategy is designed to: -

- provide a clear statement of values;
- encourage prevention;
- promote detection,
- act as a deterrent; and
- set out a clear approach for investigation of any concerns, complaints etc.

1.3 **Fraud** is defined as:

- The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Failure to disclose information where there is a legal duty to do so.
- False Representation.
- Abuse of Position

Corruption is defined as:

The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.

Theft is defined as:

A person shall be guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it.

Bribery is defined as:

An inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

Or

Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for already having done so.

Bribery Includes:

- Bribery of another person
- Accepting a Bribe
- Failure to prevent or disclose Bribery

Further details concerning bribery and related offences and in particular concerning the interpretation of the Bribery Act 2010 can be found at the website given below:

http://www.legislation.gov.uk/ukpga/2010/23/contents

1.4 Benefit fraud is where a person,

a) makes a false statement or representation; or
b) causes or allows a false statement or representation; or
c) fails to notify a change of circumstances; or
causes or allows another person to fail to notify a change of circumstances for the purpose of obtaining or increasing entitlement to housing/council tax benefit for themselves or another.

1.5 This document presents a Strategy for an Open and Honest Council characterised by a clear policy of Zero Tolerance of Fraud, Bribery, Corruption and related activities. The sections which follow set out the framework which it is intended will help secure that objective.

2. CULTURE

2.1 The Council is determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption.

2.2 All individuals and organisations associated with the Council are required to act with integrity. Council staff and Members, at all levels, will lead by example.

2.3 The Council's staff are an important element in its stance on fraud and corruption. They are encouraged to raise any concerns and can do this in the knowledge that these will be treated in confidence and properly investigated.

2.4 This commitment to investigate the concerns of any members of staff has been formally acknowledged by the Council by the adoption of a Confidential Reporting Policy.

The Confidential Reporting Policy aims to: -

- encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about working practice.
- provide avenues by which these concerns can be raised and subsequently to supply feed back on any action taken.
- ensure that a response is provided to any concerns raised and that people raising concerns are aware of how to pursue them if they are not satisfied.
- reassure individuals that they will be protected from possible reprisals or victimisation if they have made any disclosure in good faith.

Full copies of the Confidential Reporting Policy are available on the Council's Intranet or in printed format if required. It should be noted that the Confidential Reporting Policy covers all issues (not just fraud and corruption).

2.5 Where either staff or members of the public have concerns there are a number of channels available to report these concerns through:

- The Chief Executive
- Managers
- The Monitoring Officer
- The Internal Audit Consortium Manager
- The Council's External Auditors
- Or through the Council's Complaints Procedure
- Alternatively benefit fraud can be reported directly to the Department for Work and Pensions at their website.

2.6 Senior Management are responsible for following up any allegation of fraud or corruption received and will do so by taking the following action: -

- immediately informing the Director of Resources or the Internal Audit Consortium Manager or the Chief Executive;
- recording and securing all evidence received and collected;

- ensuring that evidence is sound and adequately supported;
- implementing Council disciplinary procedures where appropriate;
- where the matter is raised through the Confidential Reporting Policy, responding in accordance with that Policy.

2.7 Senior Management are expected to deal swiftly and firmly with those who defraud the Council or who are corrupt.

2.8 The investigation process must not be misused and any abuse, such as raising malicious allegations, will be dealt with as a disciplinary matter.

3. PREVENTION

3.1 Staff

3.1.1 Staff recruitment will be in accordance with the Council's Recruitment and Selection procedures particularly with regard to the obtaining of written references. These will be used to assist in verifying the previous record of potential staff in terms of propriety and integrity. All recruitment processes must involve the Human Resources Section.

3.1.2 Employees of the Council must follow the Code of Conduct which is included in the Council's Constitution

3.1.3 Employees must declare any circumstances where their personal interests (financial and non-financial) may conflict with those of the Council e.g. processing a planning application form for a relative or friend. Standard forms are available from your Manager or Support Services Staff on which to make declarations. Any concerns regarding a potential conflict of interest must be discussed with a senior manager.

3.1.4 The Council has in place agreed disciplinary procedures which management and employees must follow.

3.1.5 Many procedures have been designed to ensure that the work of one member of staff is checked by another. These types of checks are important deterrents to fraud. Managers must ensure that all staff have access to procedural guidance and should periodically confirm that the agreed procedures are being operated.

3.1.6 Where necessary staff will receive appropriate training to ensure that they are equipped to identify and tackle fraud related matters.

3.1.7 Investigation officers will receive appropriate levels of training ensuring high quality investigations. This will include training by other professional investigation bodies such as the police.

3.1.8 Computer Payroll details will be compared with computer benefit details and any matches will be investigated. Likewise any data matches raised by the National Fraud Initiative will be investigated. The provisions of the Data Protection legislation will be applied.

3.2 Members

3.2.1 Councillors and co-opted members must follow the rules in Part 5 of the Council's Constitution, including:

- General Principles of Conduct
- Members’ Code of Conduct
- Code of Conduct on Planning Matters
- Summary of other rules affecting members’ conduct
- Protocol on Member / Officer Relations

Councillors learn about these rules as part of the induction process and further ongoing training will be provided as appropriate.

3.2.2 The Council has a Standards and Audit Committee to deal with standards of conduct of Borough and Parish Councillors and co-opted members.

3.3 Systems

3.3.1 It is a management responsibility to maintain the internal control system. This includes the responsibility for the prevention of fraud and other illegal acts. By undertaking an agreed plan of work, internal audit will evaluate the adequacy and effectiveness of these controls as a means of assisting management to discharge its responsibilities.

3.3.2 The Director of Resources has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangement of the Council’s financial affairs. In addition, the Monitoring Officer is responsible for ensuring that the Council’s business is conducted in accordance with legislation and good practice.

3.3.3 To help him/her do this, all service financial recording systems must be designed in consultation with and to the satisfaction of the Director of Resources.

3.3.4 The Council’s Financial Regulations and Procedures are set down in Part 4 of the Council’s Constitution. These Regulations and

Procedures set out in detail how the Council's financial affairs are to be administered and controlled.

3.4 Combining with Others

3.4.1 Arrangements are in place to encourage the exchange of information between the Council and other agencies on fraud and corruption activity as an aid to prevention/detection. The agencies involved include: -

- External Audit ;
- Department for Work and Pensions
- Inland Revenue
- Customs and Excise.

In exchanging data with other organisations the Council will comply with the requirements of the Data Protection Legislation.

4. DETECTION AND INVESTIGATION

4.1 The internal control and other monitoring systems outlined above have been designed to highlight fraudulent activity, and they should be sufficient in themselves to deter fraud.

4.2 It is the responsibility of managers to prevent and detect fraud and corruption. However it is often the alertness of other staff, Members and the public that enables detection to occur and appropriate action to be taken.

4.3 Financial Procedures require managers to immediately notify the Director of Resources or the Internal Audit Consortium Manager of any financial irregularity or suspected irregularity. Reporting is essential because it:

- Ensures consistent treatment;
- Enables investigation to be assisted by an independent team;
- Ensures agreed investigation procedure is followed.

4.4 Depending on the nature and the anticipated extent of the allegations, the Internal Audit Consortium will normally work closely with Management and other Agencies, such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are secured for the Council.

4.5 The Council's Disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council Employee.

4.6 Ignoring potential/possible fraud, including benefit fraud, may be construed as improper behaviour by a Council employee. If an employee has any suspicion, they should make appropriate officers aware, so that the matter can be investigated in accordance with the confidential reporting policy.

The people to contact are:-

- your Manager
- your Executive Director
- the Chief Executive
- The Director of Resources
- the Internal Audit Consortium Manager
- the Benefits Team

Where your own Manager is not available or should you so choose then you should contact another senior manager.

4.7 Causing or allowing a person to either make a false statement or declaration, or to fail to notify a change of circumstances is an offence under the law relating to the payment of benefit. Any employee / member involved is liable to prosecution.

4.8 Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. Referral to the Police is a matter for the Chief Executive, in consultation with the Director of Resources and relevant member of the Corporate Leadership Team. Referral to the Police will not prohibit and should not delay action under the Disciplinary Procedure.

5. HOUSING/COUNCIL TAX BENEFITS

5.1 Whilst encouraging genuine claimants to apply for benefit the Council has adopted a number of initiatives to detect and prevent fraudulent applications, such as: -

- checks at the start and during the life of a benefit claim;
- A page on the Council's website that provides a range of information for reporting suspected fraud.
- Publicity for a national fraud 'hotline' and the reporting tool on the Department for Work and Pensions website together with details on the Council's website of other channels for reporting issues.
- participation in the DWP sponsored or similar Data matching exercise;
- use of the Royal Mail 'do not redirect' facility on benefit payments to private tenants;

- internal data matching, payroll data to benefit data;
- using computer links to the Department for Work and Pensions to check entitlements, to receive benefit notifications, and to check National Insurance numbers and other data;
- having a prosecution policy for alleged benefit /council tax fraudsters;
- undertaking land registry checks;
- carrying out joint fraud investigations with other bodies such as DWP.
- Regular articles in 'Your Chesterfield'.

5.2 The Council has adopted a Policy to undertake the Prosecutions of persons who have committed criminal offences in obtaining housing benefit and/or council tax benefit to which they were not entitled.

5.3 Benefit staff receive training in fraud awareness. Codes of Conduct have been established for Benefits staff. These explicitly state that no employee should deal with any claimant who is personally known to them or get involved in any case where they have a pecuniary interest, e.g. the claim is in respect of a property they own or for a member of their family.

6. RAISING AWARENESS OF THIS POLICY STATEMENT

6.1 To be effective, it is essential that all staff and Members are aware of the existence of this Policy Statement. This will be achieved through a variety of means, such as: -

- Inclusion on the Council's Internet and Intranet site;
- Articles in the Borough Bulletin and Your Chesterfield Newsletter;

7.. CONCLUSION

7.1 The Council has in place a clear set of systems and procedures to assist it in the fight against fraud and corruption.

7.2 The Council will maintain a continuous overview of such arrangements through the annual review of the Constitution and Financial Regulations / Procedures, various Codes of Conduct and audit arrangements.

7.3 This Policy Statement will be subject to periodic review to ensure its continued relevance.

August 2016

CHESTERFIELD BOROUGH COUNCIL

ANTI-MONEY LAUNDERING POLICY

(INCORPORATING TERRORIST FINANCING REQUIREMENTS)

(August 2016)

CHESTERFIELD BOROUGH COUNCIL

ANTI – MONEY LAUNDERING POLICY

1. Introduction

1.1 The Proceeds of Crime Act (POCA) 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on the Council and its employees regarding suspected money laundering.

2. Purpose of the Policy

2.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written so as to enable the Council to comply with the Proceeds of Crime (Anti-Money Laundering) Practical guidance for Public Service Organisations by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the anti money laundering regulations.

2.2 While all organisations are required to take appropriate steps to prevent money laundering local authorities do not undertake activities which have been identified as being high risk and the approach outlined is considered proportionate to what is considered to be a low risk to the Council and its employees. While the Council undertakes activities considered to be 'low risk' what constitutes money laundering is very widely defined and it is important that the Council takes appropriate steps to prevent money laundering.

2.3 The purpose of the Policy is to make all staff aware of the legislation and their responsibility under it including the consequence of non – compliance of the Policy.

2.4 Potentially any member of staff or member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

2.5 Whilst the risk of the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities as serious criminal sanctions could be imposed for breaches of the legislation.

3. The Council's Obligations

3.1 Under the Legislation Organisations conducting "relevant Business" must:

- Appoint a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity;

- Implement a procedure to enable the reporting of suspicions of money laundering;

- Maintain client identification procedures in certain circumstances; and

- Maintain record keeping procedures.

4. Scope of the Policy

4.1 This Policy applies to all staff and elected members of the Council and aims to maintain high standards of conduct, by reducing the risk of criminal activity through money laundering. This policy sets out the procedures, which must be followed.

4.2 Failure by staff and members to comply with the procedures set out in this Policy may lead to a criminal offence being committed and disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

4.3. Managers must ensure that all staff are aware of this policy and their duties within it.

4.4. The Anti Money Laundering Policy is part of the Council’s Anti -Fraud and Corruption policy and Strategy and sits alongside its Confidential Reporting Code and Employees Code of Conduct.

5. What is Money Laundering?

5.1. Money laundering is a process by which the illegal proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises.

5.2. The source of money, either in cash, paper or electronic form (often referred to as “dirty money”) is disguised and given the appearance of being clean funds. These are normally used to hide the proceeds of serious criminal activities such as terrorism, drug smuggling, theft and fraud.

5.3. The money laundering legislation and regulations attempt to provide a preventative solution to this problem.

5.4. The broad definition of money laundering means that potentially anybody (and therefore any Council employee, irrespective of what Council business they are undertaking) could contravene the Regulations if they become aware of or suspect the existence of criminal property and continue to be involved in a matter which relates to that property without reporting their concerns.

5.5 Primary money laundering offences include:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or processing criminal property

There are also two secondary offences:

- failure to disclose any of the three primary offences
- “tipping off” whereby somebody informs a person or persons who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

6. What is Terrorist Financing?

6.1 The Terrorism Act 2000 creates a money laundering offence under Section 18 whereby a person commits an offence if he or she enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property:

- by concealment
- by removal from the jurisdiction
- by transfer to nominees, or
- in any other way.

7. Money Laundering Reporting Officer (MLRO)

7.1 The Money Laundering Reporting Officer will receive staff disclosures on suspicions of money laundering and decide on disclosure to National Crime Agency (NCA).

7.2 The Money Laundering Reporting Officer is:
The Director of Resources
Town Hall
Rose Hill
Chesterfield
S40 1LP
Tel: 01246 345451

7.3 In the absence of the MLRP the Chief Accountant is authorised to deputise (tel. 0246 345452).

7.4 The Legal Section is available to give advice as required.

8. Disclosure Procedure

8.1 Reporting to the Money Laundering Reporting Officer

8.2 Enquiries can be made of the individual to establish whether or not there is an innocent explanation before deciding whether or not to make a disclosure to the MLRO. However, once you have reasonable grounds for knowing or suspecting that the individual is engaged in money laundering a report must be made and the suspected money launderer must not be informed of this. Under no circumstances must an employee do anything that may tip off the subject of the report that such report has been made.

8.3 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO. This disclosure should be within "hours" of the information coming to your attention, not weeks or months later.
SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.

8.4 Your disclosure should be made using the disclosure forms attached as ***Appendix 1***. The report must include as much detail as possible, for example:
Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorship, phone numbers etc. Full details of the nature of their/ your involvement:

8.5 Once you have reported the matter to the MLRO you must follow any directions they may give. You MUST NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the National Crime Agency (NCA). Simply report your suspicions to the MLRO who will refer the matter to the NCA if they consider this appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

9. Consideration of disclosure by the Money Laundering Reporting Officer

9.1 Upon receipt of a disclosure report (copy attached as Appendix 1) the MLRO must note the date of receipt on the section of the report and acknowledge receipt of it. They should advise you of the timescale within which he expects to respond to you.

9.2 The MLRO will consider the report and any other available internal information they think relevant: e.g.

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held

9.3 And undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the National Crime Agency (NCA) is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

9.4 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- There is actual or suspected money laundering taking place; or
- There are reasonable grounds to know or suspect that this is the case; and
- Whether he needs to seek consent from the NCA for a particular transaction to proceed.

9.5 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose for a minimum of 5 years.

9.6 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

10. Training

10.1 In support of this policy, the Council will:

- Make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation; and
- Give targeted training to those most likely to encounter money laundering.

Appendix A

STRICTLY CONFIDENTIAL

Report to: Money Laundering Reporting Officer (MLRO)

Re: money laundering activity suspicion

To: ………………………………….., CBC Money Laundering Reporting Officer

From:

Name……………………………………………Post……………………………………

[Insert name of employee or member and post title]

Service: ……………………………..…………………. Ext/Tel No: …………....

[Insert service area and contact details]

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address (es) of person(s) involved:
[If a company/public body please include details of nature of business]

[Please continue on a separate sheet if necessary]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how]

[Please continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Have you discussed your suspicions with anyone else?

[Please tick the relevant box] ☐ Yes ☐ No

If yes, please specify below, explaining why such discussion was necessary:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

[Please tick the relevant box] ☐ Yes ☐ No

If yes, please include details below:

[Please continue on a separate sheet if necessary]

Have you consulted any supervisory body guidance re money laundering (e.g. the Law Society)?

[Please tick the relevant box] ☐ Yes ☐ No

If yes, please specify below:

[Please continue on a separate sheet if necessary]

Do you feel you have a reasonable excuse for not disclosing the matter to the National Crime Agency? (E.g. are you a lawyer and wish to claim legal professional privilege?)

[Please tick the relevant box] ☐ Yes ☐ No

If yes, please set out full details below:

[Please continue on a separate sheet if necessary]

Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Act and which requires appropriate consent from the NCA?

[Please tick the relevant box] ☐ Yes ☐ No

☐ Section 327 - Concealing, disguising, converting, transferring criminal property or removing it from the UK.

☐ Section 328 – entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.

☐ Section 329 – acquiring, using or possessing criminal property.

If yes, please enclose details in the box below:

[Please continue on a separate sheet if necessary]

Please set out below any other information you feel is relevant:

[Please continue on a separate sheet if necessary]

DECLARATION:

Signed:……………………………………………**Dated**:……………………………

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received: …………………………………………………...

Date receipt of report acknowledged: ………………………………….

CONSIDERATION OF DISCLOSURE:

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the National Crime Agency?

[Please tick the relevant box] ☐ Yes ☐ No

If yes, please confirm date of report to NCA: ……………………………………………**and complete the box below:**

Details of liaison with the NCA regarding the report: **Notice Period: …………………….. To ………………………………..** **Moratorium Period: …………………….. To …………………………**

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? ☐ Yes ☐ No

If yes, please confirm full details in the box below:

Date consent received from NCA: ……………………………………….

Date consent given by you to employee or member: ………………………….

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to member or employee for any prohibited act

transactions to proceed: ………………………………………………….

Other relevant information:

Signed:……………………………………………………**Dated**:…………………………

THIS REPORT IS TO BE RETAINED FOR AT LEAST FIVE YEARS

For Publication

FIGHTING FRAUD AND CORRUPTION LOCALLY

Meeting:	Standards and Audit Committee
Date:	21 September 2016
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 To make Members aware of "The local government counter fraud and corruption strategy 2016 – 2019".'

1.2 To report an assessment of Chesterfield Borough Council's position against the Fighting Fraud and Corruption Locally checklist 2016 - 2019.

2.0 Recommendations

2.1 That the local government counter fraud and corruption strategy be noted.

2.2 That subject to any comments members may wish to make, the position shown in the 2016 – 19 Fighting Fraud and Corruption checklist and corresponding action plan be noted.

Report details

3.0 Background

3.1 Fighting fraud and corruption locally is a strategy for English local authorities' that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. The full strategy and the associated Companion document can be viewed by the following link :-

http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

3.2 The strategy states that fraudsters cost the local tax payer millions of pounds each year and places the emphasis on council leaders, chief executive and finance directors to provide the local leadership to take action to protect the public purse. Council's must ensure that they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Principles of fighting fraud locally

3.3 The key principles developed in fighting fraud locally are:-

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

3.4 Local authorities can ensure their counter fraud response is comprehensive and effective by considering their performance against each of six themes:-

- Culture – creating a culture in which beating fraud and corruption is part of daily business
- Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- Capacity – deploying the right level of resources to deal with the level of fraud risk
- Competence – having the right skills and standards
- Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and

with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

3.5 The strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

Risk Assessment and fraud resilience check

3.6 The 2016 – 19 Fighting Fraud and Corruption checklist has been completed by the internal Audit Consortium Manager and the Corporate Leadership Team (Appendix A).

3.7 When completing the checklist and identifying potential areas for further action, responses have been kept proportionate to the perceived risk within Chesterfield Borough Council and to the resources available. An action plan has been developed to address any issues arising (Appendix B)

CIPFA Fraud and Corruption Tracker Summary Report 2016

3.8 Also attached for information in the link below is CIPFA's Fraud and Corruption Tracker Summary Report 2016 that is an annual survey of the fraud and corruption detected in local authorities across the UK.

http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

4 Human resources/people management implications

4.1 Fraud awareness training would be beneficial to managers to raise awareness and to promote a strong anti-fraud culture. Training for service managers is in the process of being arranged so there is a time commitment involved.

5 Financial implications

5.1 It has been agreed by the Corporate Leadership Team and the Risk Management Group that part of the risk management budget can be used to provide fraud awareness training to managers.

6 Legal and data protection implications

6.1 There are no legal or data protection implications

7 Consultation

7.1 The report and its content have been discussed with the Corporate Leadership Team

8 Risk management

8.1 The completion of the fraud checklist is an aid to measure the Council's counter fraud and corruption culture and response. The review of governance arrangements in relation to fraud and the implementation of the action plan at appendix B will contribute towards the reduction of the risk of fraud and corruption occurring.

9 Equalities Impact Assessment (EIA)

9.1 Not Applicable

10 Alternative options and reasons for rejection

10.1 Not Applicable

11 Recommendations

11.1 That the local government counter fraud and corruption strategy be noted.

11.2 That subject to any comments members may wish to make, the position shown in the 2016 – 19 Fighting Fraud and Corruption checklist and corresponding action plan be noted.

12 Reasons for recommendations

12.1 To inform Members of the local government counter fraud and corruption strategy 2016 – 2019 and to provide an assessment of

Chesterfield Borough Councils counter fraud and corruption culture and response.

Decision information

Key decision number	
Wards affected	All
Links to Council Plan priorities	Value or Money

Document information

Report author	**Contact number/email**
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Fighting Fraud and Corruption Locally 2016 – 19 Checklist
Appendix B	Fraud checklist action plan

Appendix A

Fighting Fraud and Corruption Locally 2016 – 19 Checklist

A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

You are encouraged to use this checklist to measure your counter fraud and corruption culture and response.

	Issue	Arrangements Fit for Purpose/Working		**COMMENTS**
1.	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	Y		There is a fraud risk register in place that was reported to the Risk Management Group in March 2016. Internal Audit Consortium Manager reports quarterly to the Standards and Audit Committee to confirm no fraud detected. Internal audit regularly tests the operation of internal controls in key areas.
2.	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	Y		Standards and Audit committee members received a report in February 2014 that was an assessment against the risks in Protecting the Public Purse 2013. KPMG presented the findings of the 2014 report to Members. The fraud risk register will be kept up to date with emerging fraud risks e.g. Cyber fraud.
3.	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	Y		This report completes the checklist

4.	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Y		The Anti- fraud Bribery and Corruption Strategy was approved by the Standards and Audit Committee in 2013 and has been reviewed and updated in July 2016 for approval in September 2016 following which it will be promoted to staff.
5.	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Y		Internal control arrangements throughout the Council are assessed by internal audit. There is employee and Members Codes of Conduct in place, registers of gifts and hospitality and a requirement to declare any business interests. The Council's constitution sets out how it operates, how decisions are made and the procedures which are followed to ensure such decisions are transparent.
6.	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Y		The Risk Management Group considered the fraud risk register in March 2016 and it was agreed that this would be reviewed by the group on an annual basis
7.	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Y		Counter fraud staff have moved over to the DWP however managers including the Internal Audit Consortium Manager have the opportunity to comment on draft policies
8.	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Y		The investigation of benefit fraud has moved to the DWP. No other fraud identified in recent years but publication would be considered if appropriate.
9.	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Y		Management are responsible for ensuring that there are adequate systems in place to prevent fraud and corruption. Internal audit assess the internal controls in place and the operation of these controls. Internal audit report quarterly to the Standards and Audit Committee to state if any fraud

				and corruption has been identified in the areas reviewed
10.	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality.	Y		Codes of conduct are included within the Constitution. Officers are required to declare any interests. There is an Anti- Fraud Bribery and Corruption Strategy Officers are required to declare and record any offers of gifts and hospitality and if they were accepted or not.
11.	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.	Y		Standard recruitment procedures are in place to vet staff prior to them being employed. • taking up at least two references (and more if need be, to cover the last five years of the employee's working life), one of which **must** be the current or most recent employer; • investigating any gaps in the employment history; • investigating any unusual or abrupt reasons for leaving an earlier job; • vetting applicants for jobs which the service has decided required this; • DBS checks where appropriate • Verification of qualifications • Right to work checks
12.	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	Y		Managers are required to complete a gifts and hospitality register and declaration of business interests form every 6 months The Members declaration of gifts and hospitality register over £50 appears on the Council's website along with any further voluntary declarations

				Internal audit periodically audit gifts and hospitality Consideration could be given to reminding staff vire Aspire on an annual basis of the requirement to make declarations where appropriate (see action plan)
13.	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.		Part	There are no counter fraud experts but internal audit cover the whole of the organisation. Managers could be provided with fraud awareness training to promote a strong counter fraud culture (see action plan)
14.	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Y		There is a Confidential Reporting Whistle Blowing policy in place that was last reviewed and updated in January 2016, the policy is on the intranet. All whistle blower complaints are treated seriously and investigated in line with policy. The Monitoring Officer is responsible for ensuring that this takes place.
15.	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Y		The policy applies to contractors working for the council on council premises, for example agency staff, builders and drivers. It also covers suppliers and those providing services under a contract with the council in their own premises.
16.	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Y		The council has no counter fraud specialists but the internal audit plan covers all of the Council's activities. A specialist resource would be bought in if required
17.	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's		Part	No specific fraud plan but the annual internal audit plan covers all of the Council's activities based on a risk assessment. This is considered proportionate to the risk.

	business and includes activities undertaken by contractors and third parties or voluntary sector activities.			
18.	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Y		Housing Benefit fraud investigation has gone to the DWP. National Fraud Investigation results are reported to the Standards and Audit Committee. The Audit Commission's annual fraud and corruption survey used to be completed before their abolition. Now the European Institute for Combatting Fraud and Corruption (TEICCAFF) annual survey is completed.
19.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Y		Chesterfield Borough Council does not have any specific fraud officers. Internal audit have these rights of access if required.
20.	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	Y		Benefit fraud now rests with the DWP. Consideration would be given to publicising fraud and corruption cases where appropriate
21.	All allegations of fraud and corruption are risk assessed.	Y		Any receipts of fraud and corruption allegations would be thoroughly investigated and the police consulted at an early stage. No fraud and corruption allegations have been received in recent years
22.	The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress		Part	There is no specific fraud and corruption response plan. Internal controls are in place to minimise the risk of fraud and corruption and internal audit regularly check that these controls are operational.
23.	The fraud response plan is linked to the audit plan and is communicated to senior management and members.		Part	There is no specific fraud response plan, internal audit would investigate following their special investigation procedures.

				A specialist resource would be bought in if required. The National Fraud Agency and/or police would be informed and consulted. Results of the NFI data matching exercise are reported to members via an internal audit report
24.	Asset recovery and civil recovery is considered in all cases.	Y		This would be considered if the situation arose
25.	There is a zero tolerance approach to fraud and corruption which is always reported to committee.	Y		A zero tolerance approach is specified in the anti- fraud, bribery and corruption policy. Any identified incidences would be reported to Committee
26.	There is a programme of proactive counter fraud work which covers risks identified in assessment.		Part	The Audit Commission's fraud and corruption modules are completed in respect of the main financial system audits. The internal audit plan is based on risk assessment which takes in to account the risk of fraud/ any management concerns.
27.	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.		Part	There is no dedicated fraud team. Internal audit is a member of the Midlands and Nottinghamshire audit groups. Special investigations and frauds are discussed by these groups.
28.	The local authority shares data across its own departments and between other enforcement agencies.	Y		This would be done if the situation arose NFI requires data sharing TEICCAFF Fraud Survey completed annually
29.	Prevention measures and projects are undertaken using data analytics where possible.		Part	Results of surveys used to identify new fraud areas
30.	The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising	Y		NFI results are investigated and acted upon. Internal audit verify that this is taking place and report the results to the

	from it.			Standards and Audit Committee.
31.	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.		N	The Council does not have any professionally trained and accredited staff. If a fraud arose internal audit would investigate in the first instance with early contact with the Police and /or National Fraud Agency. A specialist resource would be bought in if necessary.
32.	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.		Part	The council does not have a counter fraud team however the internal audit team has knowledge of all the Council's operations
33.	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: – surveillance – computer forensics – asset recovery – financial investigations		Part	The Council does not have a counter fraud team The internal audit consortium has used DCC IA in the past in respect of computer forensics specialist knowledge Specialist resources would be bought in as appropriate
34.	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Y		This would occur if the situation arose

Fighting Fraud and Corruption Locally 2016 – 19 Checklist – Action Plan

Identified Weakness	Action	Officer	Implementation Date
Staff are not reminded on a regular basis of the need to make appropriate disclosures of gifts, hospitality and business.	Staff are reminded of this requirement by the placement of an article on Aspire/staff Bulletin on an annual basis	Communications Manager	December 2016
Managers have not received any fraud awareness training that would aid in promoting a strong anti- fraud culture.	Part of the risk management budget is to be utilised to provide fraud awareness training to managers	Internal Audit Consortium Manager	December 2016

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For Publication

Outstanding Internal Audit Recommendations

Meeting:	Standards and Audit Committee
Date:	September 21st 2016
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

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

2.0 Recommendations

2.1 That the report be noted.

2.2 That the report be brought to the Standards and Audit Committee every 6 months.

3.0 Report details

3.1 At its meeting in June 2016 the Standards and Audit Committee noted that the performance indicator in respect of the timely implementation of audit recommendations was behind target. As a result the Standards and Audit Committee requested that a report be brought to the next committee providing more details.

3.2 The implementation of audit recommendations is being monitored by the Corporate Leadership team on a regular basis and they have committed to being pro- active in ensuring that recommendations are implemented as agreed where possible.

3.3 Attached, as Appendix A, is a summary of outstanding internal audit recommendations as at the beginning of August 2016 relating to the 2014/15 and 2015/16 financial years. Progress against the implementation of 2016/17 internal audit recommendations will be added for the next review. The front page provides an analysis of the number of recommendations made against the number outstanding.

4.0 Human resources/people management implications

4.1 There are no Human Resources Implications.

5.0 Financial implications

5.1 There are no financial implications.

6.0 Legal and data protection implications

6.1 There are no legal or data protection implications.

7.0 Consultation

7.1 Not Applicable

8.0 Risk management

8.1 The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.

9.0 Equalities Impact Assessment (EIA)

9.1 Not applicable.

10.0 Alternative options and reasons for rejection

10.1 The report is for information.

11.0 Recommendations

11.1 That the report be noted.

11.2 That the report be brought to Standards and Audit Committee every 6 months.

12.0 **Reasons for recommendations**

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

Decision information

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

Document information

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

Appendix A

Summary of Outstanding Internal Audit Recommendations

Recommendations Made	**2013/14**	**2014/15**	**2015/16**
Number of High Priority	38	54	58
Number of Medium Priority	48	34	42
Number of Low Priority	24	25	21
Total	**110**	**113**	**121**
No of High Implemented	38	53	40
No of Medium Implemented	47	29	33
No of Low Implemented	24	25	14
Total Implemented	**109**	**107**	**87**
Total Outstanding	**1**	**6**	**34**
Outstanding but not overdue	0	0	12
Due recommendations implemented	**99%**	**95%**	**80%**

Outstanding Internal Audit Recommendations 2013/14

Audit 2013/14	Recommendations	Priority	Agreed Imp Date	Update by Manager/comment
Treasury Management – Loans - January 14 Page 255	**R1** The current Treasury Management Practices working documents should be reviewed as soon as possible to ensure they are up to date and accurate.	M	December 14 Revised Date December 2015 Revised Date March 16 Revised date December 16	**Manager Responsible : Helen Fox** There are a number of factors that will significantly change the Treasury Management Practices working documents. Firstly, there is the change of banking services from Co-op to Lloyds, secondly there are the new arrangements that we must put in place because of the withdrawal of Investec from the management of our £21m investment portfolio and finally there is the accountancy restructure which will impact on the processes and responsibilities of TM management. Given these changes, I feel it would be appropriate to review the TM practices documents when these changes have been finalised and their impact properly managed. New accountancy restructure on hold pending the appointment of a section 151 officer

Outstanding Internal Audit Recommendations 2014/15

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
IT Security December 14	**R1** It is essential that the current Council's Use of ICT by Employees Policy is reviewed to determine if it is still fit for purpose. If it is deemed not fit for purpose that a new ICT policy should be devised in accordance with the risk appetite, strategies and direction of business of the Council	H	End May 2015 Revised Date End December 2015 Following appointment of Information Assurance Officer	**Manager Responsible : Tony Smith/Mike Williamson Justine Kouppari/James Drury** July 15: The new information security policy is still in draft and being amended by JK October 15 The new information security policy has been reviewed by JK but needs further work that will only become clear once the changes to governance and processes have been discussed at SLT, which is scheduled for discussion on 17/11/15. The ICT use policy should link to the information security policy. Jan 16 This was discussed with SLT in December and work is in progress May 16 – with CBC - Client Officer is of the view that the whole suite of ICT policies needs reviewing – to be passed to Information Assurance Officer

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
				July 16 This has been passed to the new Information Assurance Officer
Procurement – February 2015 Page 257	**R3** The Council should publish a procurement toolkit on the Council's intranet and provide relevant Service Managers/Managers with compulsory training. This should include: • The Council's contract procedure rules. • EU legislation requirements. • Local Government Transparency Code 2014. • Confirmation of the respective roles in the procurement process. • Procurement methods and best practice.	H	Sept 15 Revised implementation date April 2016 Extended to 3 months after SLA sign off date	**Manager Responsible : Karen Brown** Options are currently being assessed for the best way to achieve this. Options may require a report to cabinet and then implementation phase. October 15 – A report is scheduled for Joint Cabinet and Employment Committee on 3rd Nov 2015. New arrangements will ensure that training and toolkit issues are both addressed within 3 months of the go live date of the arrangements. Toolkit template review was commenced in August 2015.
Housing Repairs Responsive March 15	**R1b** Consideration should be given to liaison with the Client Officer as to whether a 'rebate' could be sought in respect of the post which was transferred with the PPP and has not been provided.	M	Not Specified	**Manager Responsible : Michael Brymer/Martyn Bollands** This is a corporate discussion that needs to take place as part of the ongoing PPP client/contractor relationship. The vacant post was transferred to Avarto with the PPP and has never

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
				been recruited to. There is a need for this post to continue to implement coins in full which the Responsive Repairs Manager will not be able to continue to do. This matter has been raised in the past by the previous Client officer and the previous IT Manager with no outcomes. The client officer is pursuing recompense from the PPP June 2016: Discussions have taken place between Avarto and CBCs' Client Officer regarding this. Further work is required to identify the services that are not being provided by not having this post in place.
Accounts Payable February 2015	**R2** It was agreed that liaison should occur between Arvato and the Client Officer to establish responsibility (including payment) in respect of any late payment claims that the Authority may receive.	M	Further Discussion with CBC Client Officer	**Manager Responsible : Karen Goulding/Mike Williamson/ Rachel O'Neil** Agree the issue late payment to be discussed but if the late payment is as a result of a Council issue, then arvato should not be responsible for the late payment. July 15: Still needs agreement, not a big issue at the moment but may

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
Page 259				become so in the future August 15: As stated previously arvato cannot be held responsible for delays caused by Council staff and with people from both arvato and CBC involved in the overall process it would be difficult to establish who was ultimately responsible for any delay. In addition, as far as we are aware legislation around late payment claims was introduced after the start of the PPP and responsibility therefore must remain with the Council in the absence of any subsequent Change Control. October 15 - KG 21.10.15 – Meeting scheduled 10.11.15 with Client Officer / Internal Audit & arvato to discuss further in relation to late payment policy. Jan 16 Investigations are still underway to establish where delays are occurring
Procurement Feb 15	**R4** The Council should formulate an updated procurement strategy. This should be reported to Members and adopted by the Council as soon as possible.	M	March 16 Extended to 3 months after SLA sign off	**Manager Responsible : Karen Brown** Development of a strategy will follow on from improvements in other

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
			date	points listed above
Car Parks March 15	**R4** To ensure compliance with part 4 of the Council's Constitution quotations should be obtained for the supply of car parking tickets or an exemption documented by the Service Manager.	M	September 2015 Revised date: November 15 Revised Date November 16	**Manager Responsible : Andy Bond** Liaising with the procurement unit on this matter. Currently reviewing infrastructure requirements for ticket machines. Once investment plan is approved we will then review our ticket requirements and will ensure compliance with part 4 of the Council's Constitution. Awaiting decision on when/if ticket machines are upgraded. Report to be presented to Cabinet November 15. Will then hopefully be in a position to tender for the same ticket type for all machines. At present too many different ticket types used because of machine mix. Jan 16 – decision on when/if ticket machines are upgraded has been deferred until capital programme priorities have been agreed. If ticket machines are replaced then will go out to tender as same type of ticket can then be used in all machines.

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
Page 261				March 16 – Replacement of pay and display equipment included in 2016/17 Capital Programme and currently working with procurement in developing tender documents for both ticket machines and supply of tickets. Should go out to tender in April 2016. July 16 – The tender specification for the replacement of our 30 Pay and Display machines has now been written in draft form, to be advertised 1/8/16 with a view to installing Sept 16.Then we will be able to procure a best value supplier for our complete stock of tickets, with the intention of selling advertising space on the reverse of tickets. The delay has been due to the departure of the Parking and CCTV Manager in April who was leading on the project.

Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Data Protection – May 2015	R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale	H	Nov 15 Revised Date Sept 16	**Manager Responsible: Rachel O'Neil/Information Assurance Manager/Gerard Rogers (as SIRO)** Main (online) training will take place once new EU Regs in place. Interim face to face refresher training could be given before that for FOI Champions. This should be delivered once new Information Assurance Strategy is in place **June 16**: General comment (relevant to all Data Protection and FOI recommendations :following CMT restructure the Customers, Commissioning and Change Manager has responsibility for a new team of Information Assurance Manager and Information Rights Officer. The IAM is due to commence on 11th July. The IRO remains to be appointed after departure of the previous post holder in February. The new structure will enable progress of these recommendations as well as the corporate information assurance

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Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Page 263				strategy. Staff have undertaken online Information Security training again in 2016. Main (online) training will take place once Information Assurance Manager in post and new corporate online training resource is available to ensure widest reach and to enable monitoring. Face to face refresher training to be given for staff without ready access to online training resource as necessary. This will also be used to embed Council's Information Assurance Strategy.
Data Protection – May 2015	R2 On completion of the training programme it should be ensured that refresher training is undertaken at regular intervals	H	Ongoing	**Manager Responsible: Rachel O' Neil/ Information Assurance Manager/Gerard Rogers (as SIRO)** **See above**
Data Protection – May 2015	R3 The review of Council forms used to collect personal data, be concluded by the revised implementation date 1st June 2015, with appropriate action being taken on any forms which are considered not to have a robust and consistent fair processing notification.	H	End July 15 Revised Date Sept 16	**Manager Responsible: Gerard Rogers** Marie is in contact with relevant services to ensure incorporation of the council's new fair processing notification in relevant forms. Proposals for forms to be kept online has been delayed as dependent on council's new

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				intranet, which is now understood to be happening in 2016. **June 16** The corporate fair processing notice will need to be reviewed and any further/amended forms in use will need to be reviewed after IAM and IRO in post.
Data Protection – May 2015 Page 264	R7 As previously recommended it is essential that the Council has a designated Data Protection Officer, particularly as the anticipated EU changes will require a nominated officer.	H	Sept 15 Revised date September 16	**Manager Responsible: Rachel O'Neil/ Information Assurance Manager /Gerard Rogers (as SIRO)** Still not clear from emerging EU Regs whether a DPA will be necessary in organisations such as CBC. Also subject to IA Strategy and CMT reviews **June 16** The EU Data Protection Regulations require a DPA and while exit from the EU might mean that these are not implemented, the organisation should give serious consideration to appointment of an officer as DPO.
FOI Procedures – May 15	R1 It must be ensured that refresher training as planned, is undertaken on a regular basis by the FOI Champions	H	Jan 16 Revised Date September 16	**Manager Responsible: Rachel O' Neil /Information Assurance Manager /Gerard**

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				Rogers (as SIRO) **June 16** Online corporate training resource to be procured with a FOI module. Face to face training can also be given as required (e.g. for FOI Champions)
Non Housing Property Repairs July 15	R1 It is essential that the objective of maintaining a 10 year plan which is not adhered to and due to level of contributions potentially required not comprehensive is reviewed to assist in the transparency of the PRF and its purpose	H	Further discussion required – took place in September 15	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan** A meeting to be arranged between Barry Dawson/Kier/Client Officer and IA for mid Sept Jan 16 Kier to present some options once all the condition surveys have been completed **June 16** Kier have produced a draft programme that has set priorities based on those premises that currently have the most significant contribution to the repairs fund and/or are deemed by Kier (based on their experience) to be a priority for setting a new 10 year plan. It has also been agreed that the existing Corporate Asset Management Group should take a more active

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				role in receiving and giving a steer on asset reviews – these will help inform us re potential other options for each property rather than simply assume we have to construct a new 10 years repairs plan.
Non Housing Property Repairs July 15	R2 With the current 10 year plan being scheduled to be completed in 2015/16 and a new revised 10 year plan formulated for 2016/17, it is essential that the parameters for the new plan are agreed and established as soon as possible.	H	31/12/2015	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan/Director of Resources** Jan 16 Kier to present some options \once all the condition surveys have been completed
Non Housing Property Repairs July 15	R3 As previously agreed, a report to the Council should be prepared indicating the outcomes of the property condition surveys undertaken and the levels of maintenance required, subsequent to which liaison must occur between the Council and the service provider to provide guidance on the levels of contributions available and the level of maintenance affordable (both revenue and capital)	H	Further discussion required – took place Sept 15	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** Report to be produced by Kier

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 15	R4 As previously agreed in July 2012, it is essential that budgets are downloaded into the Facilities Maintenance on line system to enable adequate budget monitoring to be undertaken	H	Further discussion required	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan** This will need to be further discussed when the new 10 year plan has been formulated and agreed
Non Housing Property Repairs July 15	R5 In conjunction with R2, when the new 10 year cycle is established it must be transparent as to what works are included within the cycle with the programme being adhered to as much as is practical. In instances where works are deferred or brought forward for any reason the plan should be updated to reflect the changes	H	Ongoing	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan/Director of Resources** Jan 16 This is linked to the review of the CAMP and the disposal strategy
Housing Rents February 2016	R6 Urgent liaison with housing/legal to resolve issues with tenancies on 'hold' list to enable effective recovery, and to highlight issues surrounding tenancy completions being delayed and impact on arrears and workload within the recovery section	H	Ongoing	**Manager Responsible – Damon Bruce/Alison Craig/James Drury** This has been highlighted in a review commissioned by Housing and regularly at a senior level. We will continue to raise the issue but Arvato are not in a position to resolve it. May 16 – ongoing

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Car Parks March 16	R8 As agreed in the last audit It must be ensured and evidenced that value for money is being achieved in respect of the supply of car parking tickets and where applicable contract procedure rules are adhered too.	H	31 March 2016 Revised date Sept 16, departure of Parking Manager	**Manager Responsible : Andy Bond** Being completed as part of the tender process for new Pay and Display machinery, allowing us to be not tied to 1 supplier of tickets.
IT Security – December 2015	R1 A revised and updated disaster recovery strategy and plan should be updated to reflect current ICT infrastructure.	H	June 16	**Manager Responsible: ICT Shared Service/James Drury** July 16 – Arvato have been ensuring that the new plan reflects changes to the Council's infrastructure particularly due to the significant changes undertaken during the PSN remediation work, the plan needs to be forward thinking rather than referring to infrastructure and processes that are being removed. AS such there is now a draft plan that has been shared with Rachel O'Neill as it has references to gaps in the Council's ability to quickly recover from a disaster that she wants to progress. This draft plan is now being reviewed internally within Arvato prior to it being sent to the Council as a final version.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Data Protection – May 2015	R4 To accord with good practice as determined by the ICO, it would be prudent to incorporate the Privacy Impact Assessment process within the data protection policy and to ensure that key officers are trained on how to undertake these	M	Dec 15 Revised to September 2016	**Manager Responsible: Gerard Rogers** Process is being developed. A recruitment exercise needs to take place for the Information Assurance Manager
Data Protection – May 2015	R6 A process for updating of Data Protection related policies which involves the Council's PPP partners should be developed to ensure an efficient review and revision process	M	Aug 15 Revised to September 16	**Manager Responsible: Gerard Rogers** With ICT and Client Officer
Data Protection – May 2015	R10 It is essential that there is sufficient coordination to ensure Council IT systems are examined to ensure compliance with data protection legislation	M	Ongoing	**Manager Responsible: Gerard Rogers** This needs to be included in corporate project plan template for ICT systems and all other projects. Gerard has stressed this to consultants looking in to project planning procedures.
Data Protection – May 2015	R11 Consideration be given to utilising the information gathered from the review of Council forms as a building block to create a Council Personal Data Asset Register to comply with proposed EU legislation	M	Dec 15 Revised to September 16	**Manager Responsible: Gerard Rogers** Dependent on completion of review forms

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 15	R6 It should be clarified that the condition surveys relate to Council premises (as opposed to assets e.g. Car parks) and is a finite 5 year exercise and not a rolling exercise	M	Further discussion required	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan** JAN 16 To be discussed further with Kier
Non Housing Property Repairs July 15	R7 It is essential that on conclusion of the 5 year review, a comprehensive comparison to the estates list is undertaken to ensure that there have been no omissions e.g. Coach station, public conveniences	M	31st March 2016	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan**
Bank Reconciliation August 2015 Page 270	R1The bank reconciliation procedure notes should be updated to reflect any changes in procedure once the transfer of the Councils bank account to Lloyds Bank has been fully implemented	L	31st October 2015 Postponed to 31st Dec 2015 Extended to September 2016	**Manager Responsible : Helen Fox** Still making changes to the process as changes to procedure continue to emerge. Therefore delayed until satisfied that all necessary changes embedded. June 16 – Bank processes are now fully embedded
Treasury Management Loans October 15	R1 It should be ensured that all authorisation documents for the accounts are kept secure and together.	L	31st December 2015	**Manager Responsible: Richard Staniforth**
VAT July 2015	Consideration should be given to a minimum annual review of the VAT Manual and the VAT Completion Procedural notes to confirm that they	L	July16	**Manager Responsible: Helen Fox**

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
	are adequate with updates occurring as and when necessary			

Recommendations Made Not Overdue Yet 2015/16

Business Continuity and Emergency Planning arrangements October 2015	R2 Once the new Corporate Management Team structure has been established then it should be ensured that Service Area Business Continuity plans are:- • Aligned to the new structure • Brought up to date • Appropriately distributed • Updated at least annually	M	SS to commence once new CMT structure agreed and further developed and completed once positions filled	**Manager Responsible: Sam Sherlock**
Stores – March 16	R6 Historic suppliers and suppliers out of tender should be reassessed and correct procurement procedures followed	M	December 16	**Manager Responsible : Michael Brymer /Martyn Bollands** A procurement process is taking place with the NHS in order to resolve this issue.
Stores – March 16	R3 Consideration should be given to introducing an ongoing documented stock checking system to the replace the single year end stock check.	L	December 16	**Manager Responsible Michael Brymer/Martyn Bollands**

				Consideration will be given to this. Regular checks are currently being carried out and when COINs is embedded, this can be evaluated
Corporate Credit Cards – March 2016	R1 To strengthen controls procedure notes / guidance outlining acceptable usage and control / security of cards should be documented and issued to corporate credit card holders	H	September 2016	**Manager Responsible: Richard Staniforth**
Corporate Credit Cards – March 2016	R2 Consideration be given to cancelling the corporate credit cards held by the Principle Revenues Officer and Senior Recovery Officer if they are no longer in use	L	September 2016	**Manager Responsible: Richard Staniforth**
Corporate Credit Cards – March 2016	R3 It must be ensured that VAT is correctly accounted for in respect of credit card expenditure. Where official VAT invoices are provided expenditure must be posted net of VAT	H	September 2016	**Manager Responsible: Richard Staniforth**
Corporate Credit Cards – March 2016	R5 Consideration be given to reminding credit card holders that where applicable a VAT receipt should be obtained / requested for all purchases.	L	September 2016	**Manager Responsible: Richard Staniforth**
Corporate Credit Cards – March 2016	R6 To strengthen controls it would be prudent for individual card holder statements to be reviewed by the appropriate line manager to ensure expenditure is reasonable. The statement should be signed and dated as evidence of this check	L	September 2016	**Manager Responsible: Richard Staniforth**

Procurement – March 16	R2 It is essential that a Procurement strategy is completed	H	Within 3 months of SLA sign off	**Responsible Manager: Karen Brown** Drafts held at SPS
Procurement – March 16	R3 It is essential that training be provided for budget holders, service managers and members, in addition to this an online toolkit should be published for guidance.	H	Within 3 months of SLA sign off	**Responsible Manager: Karen Brown** Training has been developed. List of officers required. Toolkit being developed
Procurement – March 16	R4 Advice should be sent to service managers clarifying in which instances the procurement should be undertaken by CRH /advise sought	H	Within 3 months of SLA sign off	**Responsible Manager: Karen Brown** Clarified as part of training, SLA & Toolkit
Procurement – March 16	R6 The CBC website requires updating with the Contracts Register to comply with the Local Government Transparency Code 2015	M	Within 3 months of SLA sign off	**Responsible Manager: Karen Brown** Once training delivered and toolkit finalised

FOR PUBLICATION

UPDATE ON NON-HOUSING REPAIRS AUDIT

Meeting:	Standards and Audit Committee
Date:	21st September 2016
Report by:	Head of Contract (Kier)

At the meeting of the Standards and Audit Committee in June 2016 it was resolved that progress on the implementation of the audit recommendations in respect of non-housing property repairs be reported to the next meeting of the Committee in September 2016.

At the meeting in June it was recorded that that the Corporate Asset Management Group would be taking a more active role in steering this. The item has now been included as a standard item on the agenda for the Corporate Asset Management Group. Michael Rich and Councillor Gilby attend these meetings.

The July 2015 audit of the Council's property repairs fund/non housing property repairs was reported as unsatisfactory. A follow up audit occurred in April 2016. The scope and objectives of this audit was to ensure that recommendations made in the previous audit have been implemented. The 2016 audit concluded that progress had been minimal since the previous 2015 audit, resulting in the overall assessment of the implementation of the recommendations remaining as unsatisfactory**,** as further considerable improvement is still required - primarily to establish the objectives of the Property Repairs Fund and the ten-year programme covering repairs and associated levels of contributions.

Current Position as at September 2016

1. It has been confirmed that 5 year condition surveys have now been concluded with all Council (non-housing) premises inspected.

These condition surveys were delivered on time within the PPP contract required timescales.

2. Based on the results of the condition surveys (completed in March 2016) Kier have proposed a programme to review the contributions each property makes to the Property Repairs Fund. Each property will have a new 10 year maintenance plan. The programme is shown in the table below. The initial 6 month programme focuses on the top 16 properties which contribute to the Property Repairs Fund. These 16 properties total more than 50% of the annual contributions to the Property Repairs Fund. Each property will be reviewed with the relevant Service Manager in order to ensure the Service Manager has visibility and the ability to assist in the contribution review.

3. Following the completion of the review of these 16 properties a report will be presented to the Council showing the impact the proposed new contributions will have on each property budget. At that point the Council will have a clearer picture as to the condition level of which it can afford to maintain these properties in. It will also guide the remaining properties reviews.

4. The current financial arrangement is that large items of capital repairs (e.g. lifts, large boiler renewals etc) form part of a capital programme rather than annual contributions to the Property Repairs Fund. It is unlikely that this will change given the Council’s current and future budget deficits. However, the new maintenance plans will identify these large items of repair / replacement to ensure that the Council has visibility of future liabilities. Historically the Council paid for the capital programme via capital receipts (sale of assets).The funding of the capital programme is likely to be restricted until large sales of capital receipts take place such as the sale of land at Linacre Road etc.

5. A review of the Pavements Shopping Centre property fund has already shown that the annual contributions to that renewal fund would need to be increased. It is likely that the proposed reviews will show the same.

6. An audit will be undertaken on the Non-Housing Repairs Fund in April 2017 to ensure there is satisfactory progress.

Programme for Renewal Reviews

Sub-categories	Service Manager	Completion
Pavements Centre	J Clarke Humphries/M Sorby	Feb-16 (completed)
Fountain House	J Clarke Humphries/M Sorby	Feb-16 (completed)
Tapton Innovation Ctr	Teri-Louise Horne/Neil Johnson	Sep-16 (commenced)
Dunston Innovation Ctr	Teri-Louise Horne/Neil Johnson	Sep-16 (commenced)
New QPSC	Christopher Wright	Oct-16
HLC	Darren Townsend	Oct-16
Winding Wheel	Anthony Radford	Nov-16
Pomegranate Theatre	Anthony Radford	Nov-16
Museum	Alyson Barnes	Nov-16
Market Hall	Andy Bond/Ron Thompson	Dec-16
Town Hall	David Wallace	Jan-17
Revenues Hall	Damon Bruce	Jan-17
Beetwell St MSCP	Andy Bond	Feb-17
Prospect House - 1-25	Matthew Sorby	Oct-16
Venture House	Matthew Sorby	Oct-16
Crematorium	Angela Dunn	Feb-17

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Agenda Item 11

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