



Please ask for Amanda Clayton
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The Chair and Members of Standards
and Audit Committee

16 September 2020

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 23 SEPTEMBER 2020 at 2.00 pm via Microsoft Teams the agenda for which is set out below.

This meeting will be held virtually via Microsoft Teams software, for which Members of the Committee and others in attendance will receive an invitation. Members of the public will be able to access the public parts of the meeting online by following the link from the Council's website at [click here](#)

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 10)
4. Procurement Update
5. Summary of Internal Audit Reports Issued and Progress update on the 2020/21 Internal Audit Plan (Pages 11 - 18)

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6. Standards and Audit Committee Annual Report (Pages 19 - 30)
7. External Review of Internal Audit (Pages 31 - 38)
8. Review of the Internal Audit Charter (Pages 39 - 50)
9. Risk Management Strategy and Annual Review (Pages 51 - 86)
10. Treasury Management Annual Report 2019/20 and Monitoring Report 2020/21 (Pages 87 - 102)
11. Audit Report on the 2019/2020 Statement of Accounts (Pages 103 - 256)
12. Local Government and Social Care Ombudsman Annual Review Letter 2019/2020 (Pages 257 - 268)
13. COVID-19 - Business and Planning Act 2020 (Pages 269 - 272)

Yours sincerely,

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

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE**Wednesday, 22nd July, 2020**

Present:-

Councillor Rayner (Chair)

Councillors Caulfield
Brady
KellmanCouncillors T Murphy
Snowdon
Brittain

*Matters dealt with under the Delegation Scheme

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

No declarations of interest were received.

56 APOLOGIES FOR ABSENCE

No apologies for absence were received.

57 MINUTES**RESOLVED –**

That the Minutes of the meetings of the Standards and Audit Committee held on 5 May and 2 July, 2020 be approved as a true record and be signed by the Chair.

58 INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2019/20

The Internal Audit Consortium Manager presented the Internal Audit Consortium Annual Report in respect of Chesterfield Borough Council for 2019/20.

The report provided a summary of the internal audit work undertaken during the year and included reference to the impact of Covid-19 on the timeliness of the completion of the 2019/20 internal audit plan.

Members were informed that 29 reports had been issued during the year, details of which were included at Appendix A of the officer's report, and a summary of the overall assurance levels for these reports was shown at paragraph 3.4 of the officer's report.

The report included the Internal Audit Consortium Manager's opinion that reasonable assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control for the 2019/20 year, with the exception of procurement policies and procedures. Paragraphs 3.16 and 3.17 of the officer's report provided details of the issues to be included in the Annual Governance Statement and Action Plan, with procurement policies and procedures being identified as a significant governance issue.

The report also included details of compliance with the Public Sector Internal Audit Standards, other quality control procedures and performance against the current Internal Audit Charter.

***RESOLVED –**

That the report be noted.

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

The Internal Audit Consortium Manager presented a report to review the Council's compliance with the Code of Corporate Governance requirements during 2019/20 and to present the Annual Governance Statement and associated Action Plan.

The annual review of the Code of Corporate Governance, attached at Appendix A to the officer's report, showed that compliance had largely been achieved in 2019/20. However, there were a number of significant issues that needed to be addressed and these were included in the Annual Governance Statement and Action Plan, attached at Appendix C and Appendix D respectively to the officer's report.

The Corporate Management Team had been involved in the review, and the Annual Governance Statement had been updated to include the impact of Covid-19 on the Council's governance arrangements. The report had been considered by Cabinet at its meeting on 14 July, 2020 (Minute No. 157).

Arising from Members' questions it was agreed that the report be further considered within the exempt part of the meeting prior to the decision being taken in the reconvened public part of the meeting.

60 **NEW DRAFT LGA MODEL CODE**

The Monitoring Officer presented a report informing Members of the Local Government Association (LGA) draft model code of conduct for Members and seeking initial comments on the proposals.

Following the Committee on Standards in Public Life report in 2019 the LGA draft model code, attached at Appendix 1 to the officer's report, had been published for consultation in May, 2020.

It was noted that the draft was similar to the Council's current code. Members expressed reservations about the use of the term 'civility', rather than 'respect'. A further report would be submitted to the Committee once the model code had been finalised.

***RESOLVED –**

1. That the report be noted.
2. That the comments of Members be included in feedback to the LGA as part of its consultation on the draft model code.

61 **REVIEW OF EMERGENCY DELEGATED DECISION MAKING PROCESS**

The Monitoring Officer presented a report to enable Members to review the efficacy of the revised procedures previously agreed by the Committee (on 19 March, 5 May and 2 July, 2020) in respect of legal measures during the Covid-19 pandemic, including the facility for remote Member meetings.

The report referred to the use of the emergency delegations having been reported to the meeting of full Council held on 15 July, 2020, the holding of remote meetings of Committees, including public speaking at meetings of regulatory committees and the full Council, and the proposed dates for the rearranged Annual Business Meeting and Annual Council Meeting in October, 2020. The report also referred to the revised arrangements for

the execution of deeds, emergency procurement and officer delegations in respect of licensing pavement seating outside cafes and licensed premises and applications to vary construction hours on non-residential developments (in preparation for the enacting of the Business and Planning Bill).

Members recognised that the measures had operated effectively in the circumstances of the pandemic and expressed the hope that they would only remain as temporary measures whilst necessary.

***RESOLVED –**

That the report be noted.

62 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC

RESOLVED –

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

63 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED AND PROGRESS UPDATE

The Internal Audit Consortium Manager presented a report summarising the internal audit reports issued during the period 11 January to 26 June, 2020, in respect of reports issued relating to the 2019/20 and 2020/21 internal audit plans.

It was noted that 11 reports had been issued during this period with the following levels of assurance:

- 'Substantial Assurance' – 4
- 'Reasonable Assurance' – 5
- 'Limited Assurance' – 1
- 'Inadequate Assurance' - 1

A summary of these reports was attached at Appendix A to the report and a summary of the main issues of the limited assurance (Gifts, Hospitality and Personal Interests) and inadequate assurance (Procurement) reports

was attached at Appendix B with the full reports for these at Appendices C and D respectively.

The committee was informed that no fraud had been discovered.

In respect of the Gifts, Hospitality and Personal Interests report it was noted that the Corporate Management Team would consider the process for improving the level of staff awareness, and it was suggested that an online learning module be developed.

In respect of the Procurement report the Assistant Director - Customers, Commissioning and Change explained that consideration was being given to whether the existing long-term improvement plan for the service was sufficient to achieve the desired improvements. It was noted that concerns remained in respect of the performance of the contract with Derbyshire Support and Facilities Service (DSFS) and that a report would be submitted to Cabinet in September / October on the contract arrangements and a new procurement strategy. It was also explained that some of the Council's internal capacity had recently been redirected in responding to the Covid-19 pandemic, but that more resource was now being made available to support services on procurement.

The Assistant Director explained that plans were in place to improve procurement training for managers and to ensure the contracts register and documentation were up-to-date, although this would take three years to fully achieve.

Members expressed concern that a procurement strategy had not yet been agreed, that current systems were not achieving the required standards and that this had been identified as an area of concern by internal audit and within the Annual Governance Statement repeatedly over a number of years.

The Committee considered how it could support the work on procurement to be progressed, including monthly written reports to the Chair and Committee Members, reports to each meeting of the Committee and inviting the Chief Executive or Executive Director to the next meeting of the Committee. The Cabinet Member for Governance invited the Chair to meet with her and the Executive Director to consider progress.

*** RESOLVED –**

1. That the report be noted.
2. That regular monthly written reports on progress be distributed to the Chair and Members of the Committee and that reports be submitted to each meeting of the Committee.
3. That the Chief Executive be invited to attend the next meeting of the Committee to present the progress report.

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

Further to Minute No. 59 above, it was proposed that an amendment be made to the Annual Governance Statement, attached as Appendix C to the officer's report.

***RESOLVED –**

That the following paragraph be added to the Annual Governance Statement after the first paragraph under 'Significant Governance Issues':

“At its meeting on 22 July 2020 Standards & Audit Committee registered its serious concerns around issue No. 5 below (procurement). The Committee was disappointed to see that recommendations first made by the Internal Audit Consortium in their report dated 6th April 2018 are yet to be fully implemented. Furthermore it noted that the lack of progress appears persistent, and has been identified in the authority's Annual Governance Statement, or in the Annual Governance Statement Action Plan, as an area of concern every year since 2013/14. The Committee therefore asked that the audit recommendations for procurement are implemented as a matter of urgency.”

65 **LOCAL GOVERNMENT ACT 1972 - READMISSION OF PUBLIC**

RESOLVED –

That, following the consideration of exempt information, the public be readmitted to the meeting.

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

***RESOLVED –**

1. That, the Annual Governance Statement, as amended at Minute No. 64 above, and the Action Plan be approved.
2. That the Leader and the Chief Executive be recommended to sign the Annual Governance Statement, as amended, and Action Plan.
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.

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For publication

Summary of Internal Audit Reports Issued and Progress Update on the 2020/21 Internal Audit Plan

Meeting: Standards and Audit Committee

Date: 23rd September 2020

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

For publication

1.0 Purpose of report

- To present for members' information a summary of Internal Audit Reports issued during the period 27th June 2020 to 28th August 2020 in respect of the 2020/21 internal audit plan. The report also includes an appendix detailing the 2020/21 internal audit plan and progress to date.

2.0 Recommendations

2.1 That the report be noted.

2.2 That the impact of the coronavirus on the ability to complete the current audit plan and the potential for future changes to the plan is noted and approved.

3.0 **Report details**

PROGRESS ON THE 2020/21 INTERNAL AUDIT PLAN

- 3.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.
- 3.2 The 2020/21 Internal audit plan was approved at the Standards and Audit Committee on the 5th May 2020. The internal audit team are currently working to this plan (Appendix 1) however, mainly due to COVID-19 the whole of the plan will not be achievable. In addition to this, as recovery progresses it may be necessary to replace some areas with other areas that are deemed higher risk.
- 3.3 Appendix 1 shows the 2020/21 internal audit plan and details the audits that have been completed and those in progress.

SUMMARY OF AUDITS ISSUED

- 3.4 Attached, as Appendix 2, is a summary of reports issued covering the period 27th June 2020 to 28th August 2020, for audits included in the 2020/21 internal audit plan. This period 3 reports have been issued, all with reasonable assurance.
- 3.5 Appendix 2 shows for each report a summary of the scope and objectives of the audit, the overall conclusion of the audit and the number of recommendations made / agreed where a full response has been received.
- 3.6 The conclusion column of Appendix 2 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in line with the definitions below.

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

3.7 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committees attention.

3.8 The production of this report ensures that Members charged with governance are aware of any internal control weaknesses or fraud identified by internal audit.

4 Alternative options and reasons for rejection

4.1 The report is for information.

5 Recommendations

- 5.1 That the report be noted.
- 5.2 That the impact of the coronavirus on the ability to complete the current audit plan and the potential for future changes to the plan is noted and approved.

6 Reasons for recommendations

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

Decision information

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

Document information

Report author	Contact number/email
Jenny Williams - Internal Audit Consortium Manager	01246 959770 EX 6770 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 1	2020/21 Internal audit plan and progress to date
Appendix 2	Summary of Internal Audit Reports Issued

Appendix 1

Chesterfield Borough Council Internal Audit Plan 2020/21

	Audit Complete
	Audit in Progress
	Ongoing

Main Financial Systems	Audit Days 2020/21
Cash and Banking	15
CIPFA Financial Management Code of Practice	10
Creditor Payments (Accounts Payable)	25
Housing / Council Tax Benefits	20
Housing Rents	20
Housing Repairs – Revenue (Voids)	20
Council Tax	15
Payroll	20
VAT	8
Total	153
Other Operational Audits	
Brimington Parish Council	5
Choice Based Lettings	10
Community Safety	10
Contract Final Accounts	5
Committee report process	10
Crematorium	12
Healthy Living Centre	15
Markets Income	12
PPP Client Monitoring Procedures	5
Rechargeable Repairs	10
Refuse Collection – Domestic	10
Sale of Council Houses	10
Section 106 / CIL Agreements	12
Stores	10
Taxi Licences	12
Queens Park Sports Centre	20
Total	168

Computer and IT Related			
Cyber risks / network security / DR		15	
Inventory / disposal of old equipment		10	
New system Review / upgrades		5	
Total		30	
Cross Cutting Issues			
Business Continuity Planning		12	
Climate Change		5	
Corporate Governance and Annual Governance Statement		18	
Ethical Governance		12	
Financial Advice / Working Groups/Transformation Projects		25	
Property Repairs (Non housing)		12	
Projects e.g. Economic Development, Town Hall restack		20	
Safeguarding		12	
Total		116	
Fraud and Corruption			
Review of Anti- Fraud Bribery and Corruption Strategy		3	
Total		3	
Location / Regularity			
Petty Cash		5	
CIPFA Apprenticeship		30	
Contingency/Special Investigations		30	
Update Test Schedules		10	
Audit Committee / Client Officer Liaison		15	
Planned Total Days 2020/21		560	

Chesterfield Borough Council – Internal Audit Consortium

Report to Standards and Audit Committee

Summary of Internal Audit Reports Issued 27th June 2020 to 28th August 2020

Report Ref No.	Report Title	Scope & Objectives	Assurance Level	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
002	Council Tax	To ensure that council tax bills are raised promptly and accurately and that there are debt collection procedures in place	Reasonable	17/7/20	7/8/20	18/7/20	1H	1
003	Crematorium	To review and assess the systems and procedures in place	Reasonable	23/7/20	13/8/20	23/7/20	5 (3M 2L)	5
004	Taxi Licensing	To review and assess the systems and procedures in place	Reasonable	19/8/20	9/9/20		3 (1M 2L)	Note 1

H = High Priority

M = Medium Priority

L = Low priority

Note 1 Response not due at time of writing report

For publication

Annual Report of Standards and Audit Committee

Meeting:	Standards and Audit Committee / Council
Date:	23rd September 2020 / 14 th October 2020
Cabinet portfolio:	Governance
Report by:	Chair of the Standards and Audit Committee, the Internal Audit Consortium Manager and the Local Government and Regulatory Law Manager

For publication

1.0 Purpose of report

1.1 To set out the work of the Standards and Audit Committee for 2019/20 in an annual report in line with best practice.

2.0 Recommendations

2.1 That the Standards and Audit Committee consider the attached Standards and Audit Committee Annual Report and refer to Council for approval.

2.2 That Council approve the Annual Report of the Standards and Audit Committee.

3.0 Report details

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance note "Audit Committees – Practical Guidance for Local Authorities", recommend that an Audit Committee should produce an annual report on their activity. The Standards and Audit Committee agreed that the production of an Annual Report would help assess how the Committee was performing and would also raise the profile of the Committee. This will be the third annual report produced.
- 3.2 The Annual Report in Appendix 1 summarises the work of the Standards and Audit Committee for the financial year 2019/20.

4 Alternative options and reasons for rejection

- 4.1 The report is for information.

5 Recommendations

- 5.1 That the Standards and Audit Committee consider the attached Standards and Audit Committee Annual Report and refer to Council for approval.
- 5.2 That Council approve the annual report of the Standards and Audit Committee.

6 Reasons for recommendation

- 6.1 To ensure that the Standards and Audit Committee are following good practice guidelines in line with CIPFA's guidance note "Audit Committees – Practical Guidance for Local Authorities" in terms of performance and effectiveness.

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 and the Local Government and Regulatory Law Manager	01246 959770 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.	
CIPFA's Audit Committees – Practical Guidance for Local Authorities	
Appendices to the report	
Appendix 1	Annual Report of the Standards and Audit Committee



CHESTERFIELD
BOROUGH COUNCIL

STANDARDS AND AUDIT COMMITTEE

ANNUAL

REPORT

2019/20

Standards and Audit Committee

Chesterfield Borough Council

Annual Report 2019/20

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance note "Audit Committees – Practical Guidance for Local Authorities", recommend that an Audit Committee should produce an annual report on their activity.
- 1.2 The Standards and Audit Committee produce an annual report as a means of assessing how the Committee is performing and raising the profile of the work of the Committee across the Council. This is the Committee's third annual report.
- 1.3 Audit Committees are widely recognised as a core component of effective governance, their key role is to independently oversee and assess the internal control environment, comprising governance, risk management and control and advise the Council on the adequacy and effectiveness of these arrangements. At Chesterfield Borough Council the statutory duty to promote and maintain high standards of conduct by members is also overseen by the Committee.
- 1.4 The Committee is responsible for: –
 - Promoting and maintaining high standards of conduct
 - Good governance
 - Internal Audit
 - External Audit
 - Risk Management
 - The control environment
 - Anti-fraud and anti- corruption arrangements

- Carrying out hearings into alleged misconduct by councillors

Details of the responsibilities of the Committee are set out in the Council's Constitution (Part 2, Article 9).

- 1.5 The Committee meets on a regular basis. Chaired by Councillor Mark Rayner it is advised by the Chief Financial Officer, Helen Fox, the Internal Audit Consortium Manager, Jenny Williams, and the Monitoring Officer, Gerard Rogers.

2. Membership and Meetings

- 2.1 The Standards and Audit Committee is composed of eight members, 6 councillors and 2 parish representative members (appointed by Brimington Parish Council and Staveley Town Council respectively). During 2019/20 these members were:-

Councillor Rayner (Chair)
Councillor Kellman (Vice-Chair)
Councillor Brady
Councillor Murphy
Councillor Snowdon
Councillor Brittain
Councillor Caulfield
Councillor Wilson

- 2.2 The meetings are also attended by the Council's external auditor Mazars.
- 2.3 During the 2019/20 financial year the Standards and Audit Committee met on 6 occasions.

3. Standards and Audit Committee Business

- 3.1 During the year the Committee conducted the following business:-

Internal Audit

- Received the annual internal audit report for 2018/19
- Approved the internal audit plan for 2019/20
- Received internal audit updates of progress against the audit plan for 2019/20
- Monitored the implementation of internal audit recommendations
- Received full copies of limited internal audit assurance reports and requested managers to attend the Committee to provide an update on progress made against the recommendations
- Considered the CIPFA statement on the role of the Head of Internal Audit

External Audit

- Considered external audit progress reports
- Received the CBC Audit Strategy Memorandum
- Considered the Annual Audit Letter 2018/19

Treasury Management

- Considered the treasury management 2018/19 annual report and monitoring report 2019/20
- Approved the 2020/21 Treasury Management Strategy

Risk Management

- Considered the Risk Management Strategy and annual review

Good Governance

- Reviewed and approved the Code of Corporate Governance and Annual Governance Statement
- Received an update on progress in the delivery of the 2018/19 Annual Governance Statement Action Plan
- Produced an annual report of the Standards and Audit Committee for Council

- Considered the RIPA annual report and a RIPA report in respect of IPCO inspections
- Considered the Committee on Standards in Public Life Review of local government ethical standards
- Considered a report in relation to the appointment to independent remuneration panel
- Received a report on the management of unreasonable complaints and complainants – Annual review 2019
- Considered the Local Government and Social Care Ombudsman Annual Review Letter 2018/19
- Examined the CSPL review of Local Government Ethical Standards – amendments to procedures
- Covid 19 – approved urgent changes required to the delegation scheme

Anti-Fraud and Corruption

- Considered the results of CIPFA's Fraud and Corruption Survey 2019
- Considered the National Fraud Initiative results for CBC

Statement of Accounts

- Approved the 2018/19 statement of accounts

Standards of Conduct

- Considered the Monitoring Officers annual report on the Standards of Conduct

4. The Committee's Main Achievements / Outcomes

The Standards and Audit Committee aims to add value through its activity and, in particular has:-

- 4.1 Invited senior managers and officers to account for services where financial or internal control weaknesses have been

identified. This helps to ensure that agreed actions are moved forwards promptly thereby reducing risk.

- 4.2 Reviewed progress against the implementation of internal audit recommendations which has led to a vast improvement in the number of recommendations implemented and a corresponding improvement in the control framework.
- 4.3 Reviewed the strategic risk register to ensure that risks are being appropriately mitigated thus providing additional assurance that risk is being managed appropriately.
- 4.4 Scrutinised the statement of accounts prior to approval thereby ensuring that they are an accurate reflection of the Council's finances.
- 4.5 Reviewed the Code of Corporate Governance and approved the Annual Governance Statement and monitored progress against the Annual Governance Statement action plan. This ensures that the Annual Governance Statement is a true and fair view of the Council's governance and risk management arrangements.
- 4.6 Ensured that the Council can continue to operate during the Covid 19 epidemic by approving revised delegation procedures.

5 Conclusion

- 5.1 In conclusion, the Committee has continued to make a positive contribution to the Council's overall governance and control arrangements, including risk management. It is recognised that the Council has continued to face severe financial challenge however it is essential that good governance is maintained.
- 5.2 The Committee will continue to support the Council in the year ahead. In particular, it will continue to support the work of

internal and external audit to ensure that recommendations are implemented in a timely fashion.

Councillor Mark Rayner (Chair)
Chesterfield Borough Council Standards and Audit
Committee

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For Publication

External Review of Internal Audit

Meeting:	Joint Board Standards and Audit Committee
Date:	22nd September 2020 23rd September 2020
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 consult members on the format of the external review of internal audit that is required by the Public Sector Internal Audit Standards.

2.0 Recommendations

- 2.1 That the Standards and Audit Committee authorise proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Consortium and Derbyshire Dales District Council.
- 2.2 That the Standards and Audit Committee delegate authority to the Internal Audit Consortium Manager and the Section 151 Officers to agree the specification of the

assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.

2.3 That the Joint Board note the report.

3.0 Report details

Background

- 3.1 The Public Sector Internal Audit Standards (PSIAS) were introduced from the 1st April 2013 and Internal Audit has been working to those standards since that date. The PSIAS require that internal and external assessments of internal audit must take place.
- 3.2 An internal self- assessment against the PSIAS utilising the recommended CIPFA checklist has been undertaken on an annual basis by the Internal Audit Consortium Manager. These reviews have confirmed that the Consortium is compliant with the standards.
- 3.3 The PSIAS require that an external assessment should be carried out at least once every 5 years by a qualified, independent assessor or team.
- 3.4 The Consortium's first external assessment took place in July 2016, Derbyshire Dales District Council (DDDC) were also assessed at the same time (as the IAC manager provides a management service to DDDC) and recharged for their element of the cost of the review. The results of the review were reported to each Council's Audit Committee in October 2016. The review concluded that the Consortium and DDDC met, and in some places exceeded, the requirements of the Public Sector Internal Audit Standards. A number of improvements were identified from the review that have been implemented.

- 3.5 The next external review of internal audit is due in July 2021.
- 3.6 The Internal Audit Consortium Manager is required by the PSIAS to discuss the following in advance of the assessment with the Standards and Audit Committee:-
- The form of external assessments
 - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest

Form of assessment

- 3.7 It is suggested that an appropriate means of assessment would be by reviewing performance against the CIPFA Public Sector Internal Audit Standards checklist. This will identify if there are any areas of non-compliance or where improvements could be made.

Qualification of Assessor / s

- 3.8 The assessors would need to be appropriately qualified. Competence can be demonstrated through a mixture of experience and theoretical learning. The standards state that experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.

The Internal Audit Consortium Manager should use their professional judgement when assessing if the assessor is appropriately qualified but the following guidelines could be used:-

- Does the reviewer possess a recognised professional qualification?
- Does the reviewer have appropriate experience of internal audit e.g. 5 years at manager level within the public sector?
- Does the reviewer have detailed knowledge of leading practices in internal audit and current, in-depth knowledge of the PSIAS?

Assessment Process

- 3.9 The review would likely be carried out through a process of review of documentation e.g. the Internal Audit Charter, internal audit working papers and interviews/questionnaires. The external assessor may wish to speak to the section 151 Officers, the Chairs of the Audit Committees, audit staff and a sample of clients.

Procurement of Assessor / potential cost

- 3.10 Under Chesterfield Borough Council's procurement rules for goods and services between £1,001 - £10,000 quotations must be obtained from more than one supplier.
- 3.11 In October 2016 the external review for the Internal Audit Consortium and Derbyshire Dales District Council cost £3,600. The assessment was undertaken by Robin Pritchard from Business Risk Solutions (previously Gateway Assure). It is therefore proposed that quotations be obtained.

Potential Assessors

3.12 In order to inform the decision who to ask to quote, internal audit providers were surveyed to ask:-

- Who did you use to conduct your last external review?
- Were you happy with the quality of the review?
- Cost of the review (if happy to divulge)?

3.13 In fact, only two main parties have been used by all of the respondents and one council used the Institute of Internal Auditors. A summary of the points raised can be seen below:-

CIPFA (Ray Gard / Elizabeth Humphries) – very thorough, very pleased, a bit picky, expensive compared to Robin Pritchard. Cheaper if you go to their own companies rather than through CIPFA. (Used by 8 respondents).

Robin Pritchard (Business Risk Solutions) – very pleased with review and price, pragmatic in approach. (Used by 8 respondents).

3.14 Both of these parties are suitably experienced and qualified to undertake external reviews.

3.15 Other parties that may be interested in undertaking the assessment of internal audit include:-

- External Audit firms
- The Institute of Internal Auditors
- Firms providing assurance services/individuals

- 3.16 Consideration has been given to a peer review e.g. by Derbyshire County Council's Internal Audit Section, however, on balance it is felt that a peer review could lead to a potential conflict of interest or sour relations for future working together. Peer reviews do not appear to have taken place in the Midlands.
- 3.17 There are no human resources implications.
- 3.18 Finance – a budget of £10,000 has been included in the 2021/22 budget estimates for the external review. The cost of the review will be split equally between the Consortium partners and Derbyshire Dales District Council.
- 3.19 There are no legal or data protection implications.
- 3.20 Risk management - The procurement of an assessor to undertake an independent review of the internal audit service will ensure that PSIAS requirements are met. The review will identify the strengths and weaknesses of the internal audit service and make recommendations for improvement thereby strengthening governance arrangements. If an external review is not undertaken then there is a risk that any failings within the internal audit service will be undetected.
- 3.21 Equalities Impact Assessment (EIA) - Not Applicable.

4 Alternative Options and Reasons for Rejection

- 4.1 If an external review is not undertaken then there is a risk that any failings within the internal audit service will be undetected.

5.0 Recommendations

- 5.1 That the Standards and Audit Committee authorise proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Consortium and Derbyshire Dales District Council.
- 5.2 That the Standards and Audit Committee delegate authority to the Internal Audit Consortium Manager and the Section 151 Officers to agree the specification of the assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.
- 5.3 That the Joint Board note the report.

6.0 Reasons for recommendation

- 6.1 Members of the Standards and Audit Committee have responsibility for Governance and need to be able to place reliance on internal audit therefore it is important that they are consulted on the proposal for the external assessment of internal audit.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Internal audit work aids in the Council's priority to provide value for money.

Document information

Report author	Contact number/email
Jenny Williams Internal Audit Consortium Manager	01246 959770 EX 6770 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	

For publication

Internal Audit Charter

Meeting: Standards and Audit Committee

Date: 23rd September 2020

Report by: Internal Audit Consortium Manager

For publication

1.0 **Purpose of report**

1.1 To report to Members for information and approval the results of a review of the Internal Audit Charter. The Public Sector Internal Audit Standards (PSIAS) state that the Head of Internal Audit must periodically review the Internal Audit Charter and present it to the relevant Committee for approval.

2.0 **Recommendations**

2.1 That Members note the outcome of the review of the Internal Audit Charter.

2.2 That subject to any comments Members may wish to make, that the Internal Audit Charter be agreed.

2.3 That the agreed Internal Audit Charter be reviewed in a years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

3.0 **Report details**

3.1 The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter (Appendix 1).

3.2 The Internal Audit Charter was last formally approved by this Committee in July 2018. It was agreed that the Charter would be reviewed every 2 years to ensure that it is kept up to date.

3.3 The PSIAS were last updated in April 2017 with some fairly minor wording changes. There were no changes recommended in respect of the content of Internal Audit Charters.

3.4 The current Internal Audit Charter has been reviewed and it is felt that it is still fit for purpose and that the only updates required are in respect of job titles.

3.5 The Internal Audit Charter is attached as Appendix 1.

3.6 Previously, the Charter has been reviewed every 2 years (unless there were any updates to the PSIAS effecting the Charter before then). CIPFA are now recommending that the Charter be reviewed on an annual basis.

3.7 Risk management - The re-adoption of the Internal Audit Charter will help to ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS.

4.0 **Alternative options and reasons for rejection**

4.1 There are no alternative options.

5.0 **Recommendations**

5.1 That Members note the outcome of the review of the Internal Audit Charter.

5.2 That subject to any comments Members may wish to make, that the Internal Audit Charter be agreed.

5.3 That the agreed Internal Audit Charter be reviewed in a years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

6.0 **Reasons for recommendations**

6.1 To comply with the requirements of the PSIAS.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 959770 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.	

Public Sector Internal Audit Standards	
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Appendices to the report	
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Appendix 1	Internal Audit Charter
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BOLSOVER, CHESTERFIELD AND NORTH EAST DERBYSHIRE DISTRICT COUNCILS'

INTERNAL AUDIT CHARTER

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) which took effect from 1 April 2013 require the adoption of an Internal Audit Charter. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit Consortium that have been established to provide the internal audit service to the three Councils'.

PSIAS/REGULATORY BASIS OF OPERATION

2. The adoption of the PSIAS is mandatory and includes a
 - Definition of Internal Auditing
 - Code of ethics
 - International Standards for the Professional Practice of Internal Auditing

3. The Mission of Internal Audit is:-

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

4. The Internal Audit Consortium adopts the PSIAS and the purpose and definition of Internal Audit as specified by the PSIAS:-

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

5. The Internal Audit Consortium also adopts and is mindful of the Core Principles for the Professional Practice of Internal Auditing. So, the Internal Audit Consortium:-

- Demonstrates integrity.
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation,
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance

- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

The requirement for an internal audit function in local government is specified within the Accounts and Audit (England) Regulations 2015, which state:

A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance.

6. The Consortium agreement details how the Consortium will operate in terms of finance, staffing, reporting and independence.
7. Internal Audit is also governed by policies, procedures, rules and regulations established by the host Council. These include Financial Regulations, Conditions of Service, Codes of Conduct and Anti-Fraud and Corruption strategies.
8. Where key services are to be provided to one of the partner Councils' by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.

DEFINITIONS

9. The PSIAS require that the Charter must define the terms "Board" and "Senior Management" for the purposes of internal audit activity.
10. The PSIAS glossary defines the board as:

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the "board" may refer to the head of the organisation, "Board" may refer to an audit committee to which the governing body has delegated certain functions.
11. At Chesterfield Borough Council the "Board" will be the Standards and Audit Committee.
At Bolsover District Council the "Board" will be the Audit Committee
At North East Derbyshire District Council the "Board" will be the Audit and Corporate Governance Scrutiny Committee.
12. In addition to this the Joint Board will approve and monitor the annual business plan and financial position of the Consortium.
13. "Senior Management" – those responsible for the leadership and direction of the Council. This will be each Council's Senior Management Team.

14. The PSIAS adopt the term “Chief Audit Executive”, this role is met by the Internal Audit Consortium Manager.

SCOPE AND OBJECTIVES OF INTERNAL AUDIT

15. The scope of the Internal Audit Consortium encompasses the examination and evaluation of the adequacy and effectiveness of each organisation’s governance, risk management and internal control processes in relation to each organisation’s defined goals and objectives.
16. The Audit Consortium’s remit covers all functions and services for which the Council’s are responsible and this extends to the entire control environment of the organisations and not just financial controls.
17. The Consortium will objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
18. The internal audit service will be delivered on the basis of a risk assessment of auditable areas at each of the partner authorities. A predominantly systems based approach to most audits will be adopted.
19. The internal control system comprises the whole network of systems established within each partner authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:
 - Consistency of operations with established objectives and goals,
 - The reliability and integrity of financial and operational information,
 - The effectiveness and efficiency of operations and programmes,
 - Safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption,
 - Compliance with laws, regulations, policies, procedures and contracts,
 - The economic and efficient use of resources (value for money) and effective monitoring systems and optimum use of performance management information.
20. With the introduction of the PSIAS, internal audit may also provide “consultancy” services. This work could take any form, provided that the independence of the service is not compromised, but will typically include special reviews or assignments where requested by management, which fall outside the approved plan and for which a contingency is included in the audit plan. There will be no significant consultancy work undertaken without the approval of the relevant Audit Committee.

RESPONSIBILITIES AND REPORTING

21. The PSIAS requires that the Internal Audit Charter should establish the responsibilities and reporting arrangements of internal audit.

22. The Internal Audit Consortium Manager reports directly to each Council's Audit Committee and to each Chief Financial Officer / Executive Director. The Internal Audit Consortium Manager also has direct access to each Council's Chief Executive / Director of Corporate Resources, Monitoring Officer and where necessary elected Members
23. The Internal Audit Consortium Manager will manage the provision of the Internal Audit service to each Council by: -
- Preparing each year in advance a risk based audit plan for discussion and agreement by each council's Client Officer and approval by the Audit Committee. Any in-year significant changes to the audit plan shall be agreed by the respective Client Officers and Audit Committees,
 - Preparing the internal audit budget and resource plan for approval by the Joint Board,
 - Presenting an annual report to each Council's Audit Committee that meets the requirements of the PSIAS and includes:-
 - An overall opinion on the adequacy and effectiveness of the organisation's control environment (including any qualifications to that opinion),
 - Presents a summary of the audit work from which the opinion is derived, including reliance placed on the work by other assurance bodies,
 - Draws attention to any issues the Internal Audit Consortium Manager judges particularly relevant to the preparation of the Annual Governance Statement,
 - Compares work actually undertaken with work that was planned and to report relevant performance measures and targets.
 - Presenting periodic reports to each Audit Committee summarising all internal audit reports issued and if considered necessary providing copies of the reports,
 - Formally report the findings and recommendations of audit work to senior management and the respective Audit Committee throughout the year. Audit reports will:-
 - Include an audit opinion on the reliability of the internal controls in the system or area audited,
 - Identify inadequately addressed risks and non-effective control processes,
 - Detail management's response and timescale for corrective action,
 - Identify issues of good practice.
 - Ensuring audit work is supervised, reviewed, recorded and reported,
 - Implementing a follow up process for ensuring the effective implementation of audit recommendations or ensuring senior management are aware of the consequences of not implementing a recommendation and are prepared to accept the risk,
 - Liaising as needed with the External Auditor for each Council and with other regulators,
 - Maintaining and managing a risk assessment in relation to the functions of the Consortium,
 - Ensuring that there is an up to date Audit Manual in place setting out expected standards for the service, and monitoring compliance with

these standards, including in relation to the planning, conduct, quality assurance and reporting of audit assignments.

24. Senior managers should assist audit to discharge their duties by:
 - The prompt provision of information and explanations,
 - Providing input to the audit plan to ensure attention is focused on areas of greatest risk,
 - Informing the Audit Consortium of any plans for change, including new systems,
 - Responding to the draft internal audit report, including provision of management responses to recommendations, within the timescale requested by the audit team,
 - Implementing agreed management actions in accordance with agreed timescales,

25. The respective Audit Committees must:
 - Approve the Internal Audit Charter,
 - Approve the risk based internal audit plan,
 - Receive progress reports and an annual report from the Internal Audit Consortium Manager in respect of the audit plan,
 - Approve any large variances or consulting services not already included in the audit plan.

26. The Joint Board will:
 - Approve the internal audit budget and outturn.

AUDIT RESOURCES

27. The Chief Financial Officer at each Council will ensure that the Audit Consortium has the necessary resource to enable the Internal Audit Consortium Manager to be able to give an annual evidence-based opinion.

28. The staffing and budget of the Internal Audit Consortium will be kept under review by the Internal Audit Consortium Manager, bearing in mind the resource requirements identified in the audit plan process. Where resources available do not match the resource requirements identified by the annual audit plans, the Internal Audit Consortium Manager will report to the Joint Board.

29. The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Internal Audit Consortium Manager will ensure that the internal audit service is appropriately skilled in terms of qualifications, knowledge and experience.

QUALITY AND ASSURANCE PROGRAMME

30. The PSIAS state that a quality assurance and improvement programme must include both internal and external assessments. Internal assessments should be ongoing and periodical and external assessments must be undertaken at least once every 5 years.
31. All internal audits are subject to a management quality review. Policies and procedures to guide staff in performing their duties have been established within the audit manual.
32. The internal self- assessment of internal audit will be undertaken annually by completing the checklist for assessing conformance with the PSIAS included within the PSIAS Application Note.
33. External assessment can be satisfied by either arranging a full external assessment or by undertaking a self assessment with independent validation. External assessments must be by a qualified, independent assessor from outside the organisations. The Internal Audit Consortium Manager must discuss the format of the external assessments and the qualifications and independence of the assessor with the Audit Committee.
34. An external assessment of the internal audit function will take place at least once every 5 years and the results reported back to the Audit Committee of each Council.
35. The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

INDEPENDENCE , AUTHORITY AND ETHICS

36. In order to achieve its objectives effectively, Internal Audit must be seen to be independent. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that no quality compromises are made.
37. The scope of internal audit allows for unrestricted access at each partner authority to all records, personnel, premises and assets deemed necessary to obtain information and explanations as it considers necessary to fulfil its responsibilities in the course of the audit. Such access shall be granted on demand and not subject to prior notice.
38. This right of access is included in the agreement signed by the three authorities establishing the Internal Audit Consortium and in each authority's Financial Regulations. In addition, where necessary, the Internal Audit Consortium Manager will have unrestricted access at each authority to:
 - The Chief Executive / Director of Corporate Resources
 - The Chief Financial Officer
 - Members
 - The Monitoring Officer

- The Chair and Members of the Audit Committee
 - Individual Directors / Heads of Service
 - All Other Employees
 - The External Auditor
39. The Internal Audit Consortium Manager will confirm to the Audit Committees' at least annually, the organisational independence of the internal audit activity.
40. Independence is further achieved by:
- Reporting to the Audit Committee and senior management at each authority,
 - Not being part of system and procedures being audited,
 - Rotating responsibility for audit assignments within the audit team,
 - Completing declaration of interest forms on an annual basis,
 - Internal Audit staff not undertaking an audit in an area where they have had operational roles for at least two years.
41. If any member of the Internal Audit Consortium considers there is or could be a conflict of interest, this must be declared to the Internal Audit Consortium Manager who will direct alternative and independent resources to the audit.
42. Where internal audit staff are required to undertake non-audit duties, the Internal Audit Consortium Manager will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Internal Audit Consortium Manager will ensure that within the service there remains sufficient impartiality to enable the actions and activities of those internal audit staff to be subject to audit by those independent from the activity.
43. Internal auditors must conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Ethics in addition to those of other professional bodies of which they hold membership.
44. The Code of Ethics promotes an ethical, professional culture to ensure fairness, objectivity and freedom from conflicts of interest. The key principles are;
- Integrity – to establish trust thus providing reliance on their judgement;
 - Objectivity – in gathering, evaluating and communicating information about the activity or process being examined in order to make a balanced assessment of all relevant circumstances without influence;
 - Confidentiality – to respect the value and ownership of information received which should not be disclosed without appropriate authority or a legal or professional obligation to do so, nor be used for personal gain; and
 - Competence – to apply knowledge, skills and experience appropriately.

FRAUD AND CORRUPTION

45. Managing the risk of fraud and corruption is the responsibility of management. Each Council has an Anti Fraud and Corruption strategy and a zero tolerance towards fraud.
46. The Internal Audit Consortium Manager should be notified of all suspected or detected fraud, corruption or impropriety in accordance with each Council's Financial Regulations and Anti Fraud and Corruption strategies, in order to inform their opinion of the internal control environment.
47. Subject to availability of resources with the internal audit plan, internal audit may assist management in the investigation of suspected fraud and corruption.
48. The Internal Audit Consortium Manager will report any instances of fraud detected as a result of audits undertaken to the Audit Committee.

REVIEW OF THE INTERNAL AUDIT CHARTER

49. The Internal Audit Charter will be reviewed every year by the Internal Audit Consortium Manager and will be reported to each Council's Audit Committee for approval.

For publication

Risk Management Strategy and Annual Review

For publication

Meeting: (1) Standards and Audit Committee
(2) Council

Date: (1) 23 September 2020
(2) 14 October 2020

Cabinet Portfolio Cabinet Member for Governance

Report by: Chief Finance Officer

1.0 Purpose of report

1.1 To provide a report on the Risk Management developments during 2019/20 and to update the Risk Management Policy, Strategy and the Corporate Risk Registers for 2020/21.

2.0 Recommendations

2.1 To note the progress made on developing the Council's approach to risk management during 2019/20.

2.2 To recommend to the Full Council the approval of the Risk Management Policy, Strategy and the Corporate Risk Register for 2020/21.

3.0 Background

- 3.1 The Risk Management Strategy requires an annual review to be reported to the Council at the end of the financial year and the Corporate Risk Register at the start of the year.
- 3.2 The Standards and Audit Committee is required to consider the effectiveness of the Council's risk management arrangements.

4.0 Annual Insurance Review 2019/20

- 4.1 The Council has numerous revised insurance lots and insurance providers appointed across all policies which became active on the 1st October 2019.
- 4.2 The tender process was completed in 2017/18 and contracts were awarded for 7 years, with the option for the Council to cancel contracts at the end of years 3 or 5.
- 4.3 During 2019/20 an independent review of the Insurance Reserve was undertaken to ensure that the Council holds sufficient balances in relation to self-insured claim exposures.

5.0 Risk Management Policy and Strategy

- 5.1 The Policy and Strategy documents are designed to clarify the corporate and operational elements and to further embed Risk Management within the organisation. The documents for 2020/21 are included in Appendix A.

6.0 Corporate Risk Register (CRR)

- 6.1 The management of corporate risks is an essential component of good governance and helps to ensure the delivery of

services. It is therefore important that the CRR is reviewed regularly to take account of any changes in risk levels and to identify any new risks.

- 6.2 The content of the CRR has been reviewed and updated for 2020/21 via the Risk Management Group. Many of the corporate risks will be a permanent feature within the CRR whilst others, which relate to one-off type projects, will appear only for a limited period. The CRR Summary for 2020/21 is shown in Appendix B and the detailed Corporate Risk Register is shown in Appendix C.
- 6.3 The challenge for 2020/21 will be to implement the further actions highlighted or any other actions subsequently developed to bring the risk ratings to the 'target' level which reflects the Council's risk appetite i.e. the level of risk it is prepared to accept.

7.0 Covid-19

- 7.1 On 11 March 2020 the World Health Organisation (WHO) officially declared the outbreak of Covid-19 as a pandemic, which has had a significant impact on the Council.
- 7.2 Extensive work has been undertaken by CMT and Service Managers to develop Covid-19 Risk Assessments for each service, following Government Guidelines.
- 7.3 The impact of the pandemic on the Council's services, and the recovery from it has been captured in the Council's Corporate Risk Register (see Section 6.0).

8.0 Risks and Uncertainties

- 8.1 The failure to have effective risk management arrangements in place which will identify and manage risk could have serious

consequences for the Council. The current key (red) risks to the Council in Appendix B/C are currently:

Description of Risk
CR1- Delivering the Medium Term Financial Plan - the ability to deliver priority services with the resources available.
CR2 - Effective project and programme management to deliver key activities and change agenda.
CR3 – Workforce – to ensure that we have the right skills and capacity to deliver the Council’s priorities.
CR8 – Information Governance – protection from internet facing assets.
CR10 - Procurement & Contract Management - to ensure that contracts are procured properly and deliver value for money.
CR 15 – Non-Housing Maintenance Programme & Funding
CR 16 – Local Government Re-organisation – devolution white paper implications
CR17 – The Council’s response to the Covid-19 pandemic

7.2 An evaluation of each of the Corporate Risks is included in Appendix B and C.

9.0 Financial Implications

9.1 The Council transfers funds during the year to maintain a £5k balance on the Risk Management Reserve which is managed by the Corporate Risk Management Group. The movements on the reserve during 2019/20 were as follows:

Description	£
Balance b/fwd April 2019	5,000
Add contribution for the year	5,000
<u>Less expenditure/commitments:</u>	

Transfer to Budget Risk Reserve	(5,000)
Balance c/fwd at 31 st March 2020	5,000

9.2 The Council also maintains a number of earmarked reserves and provisions to cover the financial risks that it faces. The funds include the General Working Balance, the Budget Risk Reserve and the Insurance Reserve.

10.0 Equalities Consideration

10.1 None arising from the contents of this report.

11.0 Recommendations

11.1 To note the progress made on developing the Council's approach to risk management during 2019/20.

11.2 To recommend to the Full Council the approval of the Risk Management Policy, Strategy and Corporate Risk Register for 2020/21.

12.0 Reason for Recommendation

12.1 To ensure that effective risk management monitoring and reporting arrangements are in place.

Decision information

Key decision number	
Wards affected	All
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Karen Ludditt	01246 936276
Background documents	

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

Appendix A	Risk Management Policy and Strategy
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Appendix B	Corporate Risk Register Summary
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Appendix C	Corporate Risk Register (Detail)
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Chesterfield Borough Council

Risk Management Strategy

Version:	August 2020
Ratified By:	Corporate Risk Management Group
Date Ratified	TBC
Name of Executive Lead	Chief Finance Officer
Date Issued	October 2020
Review date:	September 2021

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Risk Management Statement

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

Risk management is all about understanding, assessing and managing the Council's threats and opportunities. The Council accepts the need to take proportionate risk to achieve its strategic objectives, but expects these to be appropriately identified, assessed and managed. Through managing risks and opportunities in a structured manner, the Council will be in a stronger position to ensure that we are able to deliver our objectives.

As a result, through risk management, the aims & objectives of Chesterfield's Risk Management Strategy are:

- ◆ Ensure that risk management becomes an integral part of corporate and service planning, decision making & project management.
- ◆ Enable the Council to deliver its priorities and services economically, efficiently & effectively.
- ◆ Protect the council's position when entering into new partnerships and/or evaluating existing partnerships.
- ◆ Align risk management and performance management to drive improvement and achieve better outcomes.
- ◆ Guard against impropriety, malpractice, waste and poor value for money.
- ◆ That risk management training forms part of the normal training / induction programmes that are given to officers and members on an on-going basis.
- ◆ Ensure compliance with legislation, such as that covering the environment, health and safety, employment practice, equalities and human rights.
- ◆ Minimise the prospects of any damage to the Council's reputation and/or undermining of public confidence in the organisation.
- ◆ To have a performance framework that continues to allow managers to proactively track performance, and assess / deal with risk in a timely fashion.

We recognise that it is not always possible, nor desirable, to eliminate risk entirely. However, visibility of these areas is essential, so that the Council can explore external options, such as insurance.

COUNCILLOR BLANK

Risk Management Strategy

1. Introduction

The effective management of risk is an important principle for all businesses to properly address. For local authorities such as Chesterfield, managing risk is a key element of our Corporate Governance responsibilities.

This risk management strategy seeks to promote the identification, assessment and response to key risks that may adversely impact upon the achievement of the Council's stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk.

Risk Management is not new; the Council has been doing it effectively for many years. However, to comply with the Corporate Governance requirements the Council must ensure that its procedures are sufficiently formalised and reviewed at regular intervals to identify areas for improvement.

This strategy has been updated to clarify the arrangements for managing risk and to further embed Risk Management within the thinking of all Council employees, Officers and Members.

1.1 Purpose and objectives of the Strategy

The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives. As a result, the objectives of this strategy are to:

- Define what risk management is about and what drives risk management within the Council;
- Set out the benefits of risk management and the strategic approach to risk management;
- Outline how the strategy will be implemented;
and
- Identify the relevant roles and responsibilities for risk management within the Council.

Effective risk management will require an iterative process of identification, analysis and prioritisation, action, monitoring and reporting of material risk. The processes required to deliver these objectives will need to ensure:

- Clear identification of corporate aims and priorities, service objectives and key actions.
- Specification of roles and responsibilities in respect of risk management activities.
- Consideration of risk as an integral part of corporate and business processes.
- Requirements to analyse, prioritise, respond to, monitor and report on material and significant risks.
- Specification of guidance and support arrangements to assist officers in their consideration of risk.
- Facilitation of shared organisational intelligence and learning.

1.2 The Scope of Risk Management

Risk is anything that may prevent the Council from achieving its stated objectives. Risk management is the process of identifying what can:

- a. Go wrong, and then doing something about it; and/or
- b. Be an opportunity, and then trying to take advantage of it.

Risks will be managed through a series of provisions applying at different levels. These include:

- Expression of the corporate risk tolerance in corporate aims and service plans through application of our risk scoring methodology.
- At operational level by budget allocation and monitoring through effective performance management arrangements.
- At project level through application of established risk assessment techniques in compliance with business continuity planning.
- Good corporate governance provisions as provided by the Standards & Audit Committee's Terms of Reference.
- Incorporated into the Council's Annual Governance Statement.
- Examination of corporate and insurable risks to identify risk reduction measures (Corporate Risk Management Group).
- Provide for risk assessment evidence in all decision making processes of the Council by inclusion in Committee reportage.

- Maintain documented procedures, toolkits and guidance for use across the Council by application of the risk register process and usage advice.
- Provide officers with suitable information and training to enable them to perform their duty (Corporate Risk Management Group).
- Make all partners, providers and delivery agents aware of the Council's expectations on risk, both generally as set out in the Risk Management Policy, and where necessary, in particular areas of service delivery

1.3 Risk Management Definitions

There are a number of ways in which organisations express risks and as a result, the risk management definitions can vary. Therefore, we have included a risk management glossary of the Council's risk management definitions.

A full glossary of definitions can be found in **Appendix C**.

1.4 What is risk management?

Risk can be defined as ***“A threat that an event or action will adversely affect the Council's ability to achieve its objectives, perform its duties or meet expectations of its stakeholders”***

Risk Management - Risk is unavoidable, organisations' must manage risk in a way that can be justified to a level which is tolerable and as a result, risk is the chance that an event will occur that will impact upon the organisation's objectives. It is measured in terms of impact and likelihood.

The holistic approach is vital to ensure that all elements of the organisation are challenged including decision making processes, working with partners, consultation, existing policies and procedures and also the effective use of assets – both staff and physical assets.

The risks facing the Council will change over time, some changing continually, so this is not a one off process. Instead the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

It is important to note that **risks can also have an upside**; their impact can in some cases be positive as well as negative. Risk is also often said to be the flipside of opportunity so the whole risk management process can also help the Council identify positive opportunities that will take it forward. Risk management needs to be seen as a strategic tool and will become an essential part of effective and efficient management and planning.

1.5 Why do we want (and need) to do risk management?

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

We are required to do it - Risk management is something that the Council is required to do, for example:

- The CIPFA/SOLACE framework on Strategic Governance requires the Council to make a public assurance statement annually, on amongst other areas, the Council's Risk Management Strategy, process and framework. The framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk.

Benefits of risk management - Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool.

- Achievement of the Council's objectives and vision;
- A consistent approach to the way risks are managed throughout the Council;
- Improved informed decision making – risks reported and considered within Council decision making;
- Becoming less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning through a risk based decision making process;
- A focus on outcomes not processes;
- Improved performance (accountability and prioritisation) - feeds into performance management framework;
- Better governance - and demonstration of it to stakeholders; and
- Helping to protect the organisation.

1.6 Where does risk management fit?

In short the answer is "**everywhere**". Effective risk management should be applied within all decision making processes at an *appropriate scale*. So the risk management approach should encompass all types of risks and the table below may aid in the identification of risks to the Council.

RISK MANAGEMENT POLICY & STRATEGY

Sources of risk	Risk examples
STRATEGIC	
Infrastructure	Functioning of transport, communications and infrastructure. Impact of storms, floods, pollution.
Legislative and Regulatory	Effects of the change in Central Government policies, UK or EU legislation, local and National changes in manifestos. Exposure to regulators (auditors/inspectors).
Social Factors	Effects of changes in demographic profiles (age, race, social makeup etc.) affecting delivery of objectives. Crime statistics and trends. Numbers of children/vulnerable adults 'at risk'.
Technological	Capacity to deal with (ICT) changes and innovation, product reliability, developments, systems integration etc. Current or proposed technology partners.
Competition and Markets	Cost and quality affecting delivery of service or ability to deliver value for money. Competition for service users (leisure, car parks etc). Success or failure in securing funding.
Stakeholder related factors	Satisfaction of the Council's taxpayers, Central Government and other stakeholders.
Political	Local or national political issues that may impact on the Council meeting its objectives
Economic	Affecting the ability of the Council to achieve its commitments
Environmental	Environmental impact from Council, stakeholder activities (e.g. pollution, energy efficiency, recycling, emissions, contaminated land etc). Traffic problems and congestion.
OPERATIONAL (Internal influences)	
Finance	Associated with accounting and reporting, internal financial delegation and control, managing revenue and capital resources, funding taxation and pensions.
Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety.
Contracts and Partnership	Failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and life cycle management, legacy. Partnership arrangements, roles and responsibilities.
Tangible Assets	Safety and maintenance of buildings and physical assets i.e. plant and equipment, ICT equipment and control
Environmental	Pollution, noise, licensing, energy efficiency of day-to-day activities.
Processes	Compliance, assurance, project management, performance management, revenue and benefits systems, parking systems etc.
Legal	Relating to potential breaches of legislation
Physical	Related to physical damage, security, accident prevention and health & Safety
Professional Judgement and Activities	Risks inherent in professional work, designing buildings, assessing needs (children and adults).

RISK MANAGEMENT POLICY & STRATEGY

Sources of risk	Risk examples
CORPORATE GOVERNANCE	
Integrity	Fraud and corruption, accountability, transparency, legality of transactions and transactions and limit of authority.
Leadership	Reputation, authority, democratic changes, trust and branding.
Policy and Strategy	Clarity of policies, communication. Policy Planning and monitoring and managing performance.
Data and information for decision making	Data protection, data reliability and data processing. Control of data and information. E-government and service delivery.
Risk Management	Incident reporting and investigation, risk analysis or measurement, evaluation and monitoring. Taking advantage of opportunities.

There is therefore a consistent approach from the top to the bottom of the Council. So a mechanism will exist for risks to be escalated up (bottom up) within the Council whilst the top risks are also explicitly identified and managed (top down).

In practice, risks within the Council exist at many different levels (e.g., high level corporate risks to lower level everyday service based risks). For the purpose of this strategy, risks are split into two levels as follows:

- **Corporate Risk Register** – the strategic, high level council risks related specifically to the achievement of the Councils objectives; and
- **Operational Risks** – service based risks that may prevent individual service aims and objectives being met (and therefore impact upon the attainment of corporate objectives).

Given the changing landscape of local government the importance of projects and partnerships are ever increasing, so a more specific and tailored risk management approach is required.

2. Risk Management Organisational Structure

2.1 Reporting structure

The reporting structure for risk management is summarised below:



The risk management process is a continuous one and risks can therefore be reported at any time. However risks will be formally reported as follows:

- The Full Council will receive an annual report on the Council's key risks.
- Standards & Audit Committee will review the effectiveness of the Risk Management arrangements and receive an annual risk management report.
- The Senior Leadership Team and Corporate Management Team will consider the Corporate Risk Management Group minutes and summary risk management reports on a quarterly basis.
- Overall responsibility for ensuring that the Council has the appropriate systems in place to manage business risk lies with the Council's Corporate Risk Management Group (CRMG). In effect, CRMG are the sponsors for Risk Management within the Authority. Responsibility for managing specific business risks at an operational level lies with Service Managers and their dedicated Officers. The Executive Director will 'champion/coordinate' the process on behalf of CRMG.
- Service Managers are required to carry out a comprehensive review of their risk registers as part of the annual service planning process. In addition the service risk registers need to be reviewed every 3 months (prior to the CRMG meetings). All Service Risk Registers need to be posted on the Council's intranet site. Risk also needs to be a standing regular item at service management and team meetings, and service risks need to be communicated to relevant staff.

3. Roles and Responsibilities

In cases of operational risk, risk management will follow existing service management arrangements. Corporate risks will be managed at Senior Officer Level. The Corporate Risk Management Group will be accountable to the Corporate Management Team and will be the “driving force” behind developing and implementing the Council’s Risk Management Strategy. Membership of the Group is shown at **Appendix D**. The Group will seek to enhance the linkage between Service Line Managers and the Corporate Management Team.

Risk needs to be addressed at the point at which decisions are being taken. Where Members and Officers are asked to make decisions, they should be advised of the risks associated with recommendations being made as necessary. The Council needs to be able to demonstrate that it took reasonable steps to consider the risks involved in a decision. Risks must be addressed within Committee reports, as part of the corporate check.

There needs to be a balance between the efficiency of the decision making process and the need to address risk. All key reports, including new and amended policies and strategies, need to include a section to demonstrate that risks have been addressed.

In order to ensure the successful implementation of the strategy, roles and responsibilities have been reviewed and are updated in the following table;

Group or individual	Roles & Responsibilities
Full Council	<ul style="list-style-type: none"> ▪ Formal approval and adoption of the Risk Management Strategy (annually or as required); ▪ Approve the Corporate Risk Register (annually); ▪ Receive an annual monitoring report; and ▪ Contribute to the identification of Corporate risks.
Standards & Audit Committee	<ul style="list-style-type: none"> ▪ To review the effectiveness of the Risk Management arrangements; and ▪ Receive reports including the annual statement of Internal Control/external audit reports/effectiveness of internal audit.
Senior/ Corporate Management Team	<ul style="list-style-type: none"> ▪ Scrutinise significant risks in more detail as part of their annual work programme, as appropriate; ▪ Take corporate responsibility for risk; ▪ Address issues that cannot be addressed within service budgets or risk management fund of an extreme or high assessment; ▪ Receive report of all extreme or high assessments; ▪ Receive minutes of Corporate Risk Management Group. ▪ Nominate an Officer Champion for Risk Management; ▪ Champion and take overall responsibility for implementing the Risk Management Framework and embedding risk management throughout the Council;

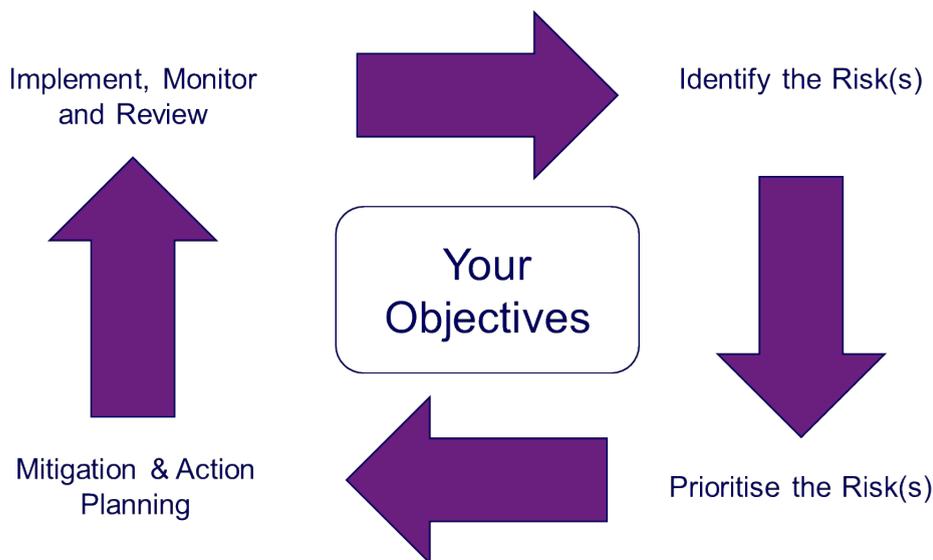
RISK MANAGEMENT POLICY & STRATEGY

Corporate Risk Management Group (CRMG)	<ul style="list-style-type: none"> ▪ Meet (4 times a year) as per the CRMG timetable ▪ Overall responsibility for ensuring that processes are in place to effectively manage risks within the Council; ▪ Increase awareness of RM – cascade to service management teams and other team meetings; ▪ Produce the Strategy and monitoring reports for members; ▪ Identify and commission projects for Risk sub-groups; ▪ Receive and consider reports from any Risk sub-groups; ▪ Formulate monitor and update the Corporate risks register; ▪ Review Service risk registers as per the CRMG timetable ▪ Report to CMT at the defined frequency all highly scored risks; ▪ Preparing and recommending changes to the risk management strategy; ▪ Identifying and assessing risks; ▪ Review Insurance claims analysis in order to identify ways of reducing or eliminating future claims; ▪ Identify good practice and share learning; ▪ Identify new and emerging risks for inclusion in the Corporate Risk Register or Operational Risk Registers; ▪ Approve the use of the RM budget and Training days; ▪ Arranging and providing risk management training as appropriate.
Service Managers	<ul style="list-style-type: none"> ▪ Ensure that risk management is incorporated into service plans and project plans. ▪ Review Service Risk Registers every 3 months. ▪ Review risk treatment schedules as identified by the line managers and team leaders; ▪ Review risk action plans and ensure they are implemented; ▪ Contribute towards the identification and management of operational risks for their service; ▪ Maintain awareness of and help promote the approved risk management strategy to all staff; ▪ Ensure that risks which have been identified are addressed and mitigated and that any high risks are addressed urgently ▪ Identify, analyse and profile operational risks through their individual monthly performance clinic. The role of the performance clinic is pivotal to challenging and understanding the risk view as well as gaining confidence that the risks will be managed. ▪ To provide annual assurance on the effectiveness of controls in place to identify and mitigate risks within their service through the annual service planning process ▪ To maintain awareness of and promote effective risk management techniques (incl. awareness of the strategy and policy) to all relevant staff; and ▪ Ensure that risk issues are highlighted in reports to Members.
Line Managers & Team Leaders	<ul style="list-style-type: none"> ▪ Identify and analyse risks; ▪ Undertake assessments at service level; ▪ Evaluate risk/perform risk assessment ▪ Prepare risk register entries; ▪ Prepare the risk treatment schedule; and ▪ Prepare risk action plan.
All Employees	<p>All employees have a responsibility to:</p> <ul style="list-style-type: none"> ▪ Manage risk effectively in their job and report opportunities and risks to their service managers; ▪ Participate in risk assessment and action planning where appropriate; ▪ Adhere to Council policies and procedures; and ▪ Attend training and development sessions as appropriate.

<p>Project Leaders</p>	<ul style="list-style-type: none"> Project leaders have a responsibility to ensure that the risks associated with their projects are identified, recorded and regularly reviewed as part of the project management process.
<p>Internal Audit (Consortium Audit)</p>	<p>Internal Audit's role is to maintain independence and objectivity. Internal Audit is not responsible or accountable for risk management or for managing risks on management's behalf. Internal Audit will:</p> <ul style="list-style-type: none"> Audit the risk management process; Assess the adequacy of the mechanisms for identifying, analysing and mitigating key risks; Provide assurance to officers and Members on the effectiveness of controls; <p>And</p> <p>The Risk Register will drive the Internal Audit Plan to ensure resources are used on the areas of highest risk and where the need for assurance is greatest.</p>

4. Risk Management Process

The risk management process is the same for the management of both strategic and operational risks. The process comprises of the following four basic steps; these are indicated in the diagram below and should be driven by the Council's objectives.



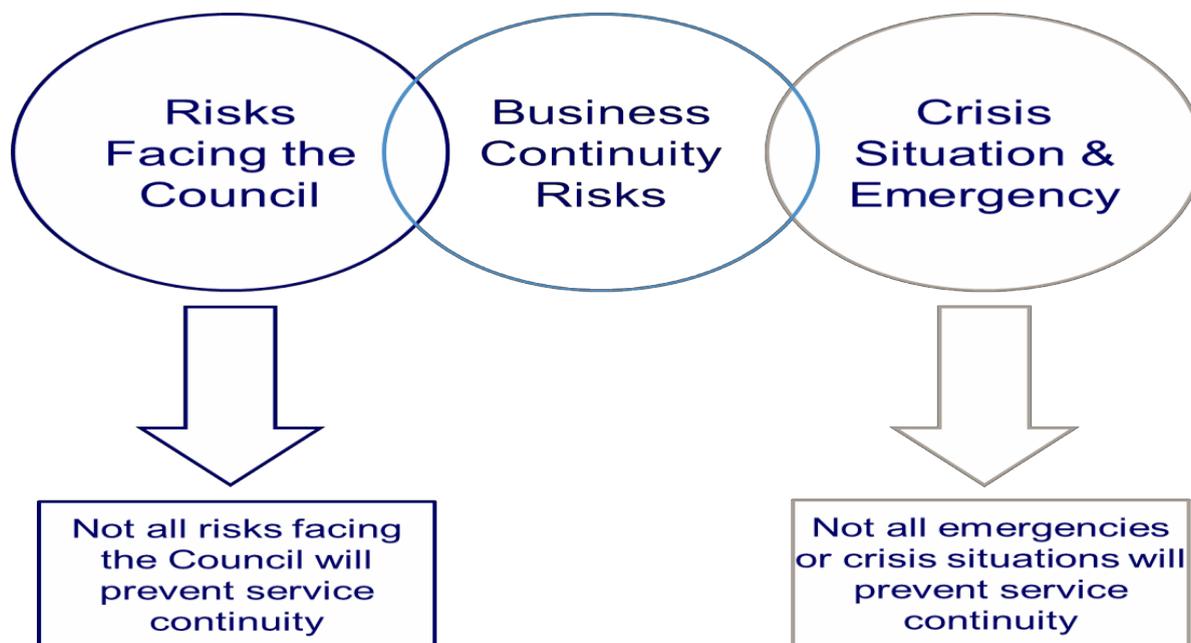
Having identified a risk there are four basic choices about how to deal with it – the 4T's:

- **Treat** the risk (i.e. do something about it)
- **Tolerate** the risk – (i.e. accept it as it is)
- **Transfer** the risk – (i.e. pass it to someone else, for example insurance)
- **Terminate** the risk – (i.e. cease the activity that gives rise to the risk)

5. Links to other Processes

Risk management, emergency planning and business continuity

There is a link between these areas however it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.



Risk management is about trying to identify and manage those risks which are more than likely to occur and where the impact on the Council's objectives can be critical or even catastrophic.

Business continuity management is about trying to identify and put in place measures to protect the priority functions against catastrophic risks that can stop the organisation in its tracks. There are some areas of overlap e.g. where the I.T infrastructure is not robust then this will feature as part of the organisation risk assessment and also be factored into the business continuity plans.

Emergency planning is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office.

6. Communication

The Risk Management Strategy can be found on the Council's intranet site so that all members of staff can have access and easily refer to it. The strategy will be reviewed each year and following any key changes e.g. Central Government policy, inspection regimes and following any internal reorganisation. The Strategy will be re-issued annually via the intranet site.

7. Training

Risk management training will be mandatory for all employees and will be delivered via Aspire Learning. After completing the relevant modules, Officers should be sufficiently confident to undertake the process of risk identification within their service areas.

Risk analysis, control and monitoring, will lead to the determining of targets for improvements for inclusion in service plans.

8. Monitoring of Risk

The Council will monitor risk in the following ways:

- Risk Assessments will be undertaken annually to reflect Service Plan Objectives and Key Actions.
- The Council risk register, both strategic and operational will be the prime record which contains risk assessments, mitigation controls and review frequency information in accordance with the Councils Risk Management Methodology.
- The Corporate Risk Management Group will comply with their Terms of Reference.
- Internal Audit will review the Council's risk management arrangements as part of its strategic audit plan.

9 Conclusion

This strategy will set the foundation for integrating risk management into the Council's culture. It will also formalise the process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of corporate risk management.

Every 3 months reporting and escalation of risks should interlock with the existing arrangements for performance reporting. The intention being that the management of risk is incorporated into business plans and monitored through the performance management framework.

The adoption of the strategy will formalise the risk management work undertaken to date and will move the Council towards meeting the requirements of recognised best practice and inspection.



APPENDIX A -RISK MANAGEMENT FRAMEWORK

Corporate Risk Register (owner: Executive Director)							
Risk Register	Resources	Customers Commissioning and Change	Housing	Economic Growth	Commercial Services	Health and Wellbeing	Policy and Communications
Risk Register Owner Exec Member	Chief Finance Officer (Helen Fox) Deputy Leader & Cabinet Member for Planning	Customers Commissioning and Change Manager (Rachel O'Neil) Cabinet Member for Business Transformation	Housing Manager (Liz Cook) Cabinet Member for Housing	Economic Growth Manager (Neil Johnson) Leader & Cabinet Member for Regeneration / Cabinet Member for Town Centre & Visitor Economy	Commercial Services Manager (Vacant) Leader & Cabinet Member for Regeneration / Cabinet Member for Housing	Health and Wellbeing Manager (Ian Waller) Cabinet Member for Health and Wellbeing	Policy and Communications Manager (Donna Reddish) Cabinet Member for Governance
Service areas: Including related Business Continuity and Health & Safety issues.	Accountancy	Property and Procurement	Council Housing. HRA Business Planning & Strategy.	Development & Growth.	Landscape & Street-scene	Landscape & Street-scene	Policy
	Internal Audit	Business Transformation		Cultural & Visitor Services.	Operational Services	Environmental Health	Communications & Marketing
	Insurance	Support Services			Customer Services.	Sports & Leisure	
	Regulatory & Local Government Law	PPP Client					
	Democratic & Electoral Services.	GP:GS					
		Customer Services					

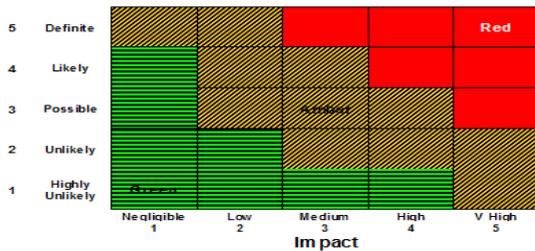


APPENDIX B – RISK MATRIX AND REGISTER

A Risk Matrix is used to assess risks in terms of their likelihood of occurring and the impact they could have. The scores for each factor (likelihood and impact) are plotted on a matrix (see below) to identify those that require management action i.e. focus on the 'red' area. The objective is to devise mitigating actions that will reduce the risk and ideally move the assessment into a safer area of the matrix (green or amber).

Total Risk Score = Likelihood x Impact. Rating: 0-4 Green, 5-14 Amber, 15+ Red

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Score -1 Highly Unlikely	Score -2 Unlikely	Score -3 Possible	Score -4 Likely	Score -5 Definite
Previous experience at this and other similar organisations makes this outcome highly unlikely to occur.	Previous experience discounts this risk as being unlikely to occur but other organisations have experienced problems.	The Council has in the past experienced problems in this area but not in the past three years.	The Council has experienced problems in this area in the last three years.	The council is currently experiencing problems in this area or expects to within the next 12 months.

Risk Impact	Score -1 Negligible	Score -2 Low	Score -3 Medium	Score -4 High	Score -5 Very High
PRIORITIES	No impact on the delivery of the Council's corporate objectives	It may cost more or delay in delivery of one of the Council's priorities	A number of Council priorities would be delayed or not delivered	The majority of Council priorities would be delayed or not delivered	Unable to deliver all Council priorities
FINANCIAL	Little or no financial impact (less than £5k)	The financial impact would be no greater than £25k	The financial impact would be no greater than £100k	The financial impact would be no greater than £500k	The financial impact would be greater than £500k
SERVICE IMPACT	Council services are not disrupted	Some temporary disruption of activities of one Council service	Regular disruption to the activities of one or more Council services	Severe service disruption or regular disruption affecting more than one service	Service disruption to the activities of all Council services
INFORMATION	Minor, none consequential	Embarrassment, none last effecting	Isolated, personal details compromised	Severe personal details compromised	All personal details compromised
PUBLIC ENGAGEMENT	No loss of confidence and trust in the Council	Some loss of confidence and trust in the Council felt by a certain group or within a small geographical area	A general loss of confidence and trust in the Council within the local community	A major loss of confidence and trust in the Council within the local community	A disastrous loss of confidence and trust in the Council locally and nationally
REPUTATION	No media attention	Disciplinary action against employee	Adverse coverage in local press	Adverse coverage in National press/Front page news locally	Front page news story in National Press

APPENDIX C: GLOSSARY

Risk	Risk can be defined as a threat that an event or action will adversely affect the Council's ability to achieve its objectives, perform its duties or meet expectations of its stakeholders.
Hazard	Anything that has the potential to cause harm.
Risk Management	Risk is unavoidable, organisations' must manage risk in a way that can be justified to a level which is tolerable and as a result, risk is the chance that an event will occur that will impact upon the organisation's objectives. It is measured in terms of consequence and likelihood.
Assessing risks	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of the Council's objectives.
Contingency	An action or arrangement that can be put in place to minimise the impact of a risk if it should occur.
Control (control measures)	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.
Corporate Governance	Set of internal controls, processes, policies, affecting the way the Council is directed, administered or controlled.
Service risk	Significant operational risks which affect the day-to-day activities of the council.
Identifying risks	The process by which events that could affect the achievement of the Council's objectives, are drawn out and listed.
Risk Prioritisation	Risk prioritisation is the process used to evaluate the hazard/ risk and to determine whether precautions are adequate or more should be done. The risk is compared against predetermined acceptable levels of risk.
Impact	The effect that a risk would have if it occurs.
Issue	An event or concern that has occurred or is taking place and needs to be addressed (as opposed to a risk which has not yet, or might not, occur).
Consequence	A measure of the impact that the predicted harm, loss or damage would have on the people, property or objectives affected.
Likelihood	A measure of the probability that the predicted harm, loss or damage will occur
Risk Treatment	The action(s) taken to remove or reduce risks
Managing and controlling risks	Developing and putting in place actions and control measures to treat or manage a risk.
Control	The control of risk involves taking steps to reduce the risk from occurring such as application of policies or procedures.
Mitigation (Plan)	A strategy that reduces risk by lowering the likelihood of a risk event occurring or reducing the impact of the risk should it occur.
Objective	Something to work towards – goal.
Operational risk	Risks arising from the day to day issues that the Council might face as it delivers its services.
Overall risk score	The score used to prioritise risks – impact multiplied by likelihood.
Risk Assessment	Analysis undertaken by management when planning a new process or changing an existing procedure to identify risks that may occur, their potential impact and likelihood of occurrence. It will also identify the controls needed to control the risk and who is responsible for this.
Risk Register	A risk register is a log of risks of all kinds that threaten an organisation's success in achieving its objectives. It is a dynamic living document which is populated through the organisation's risk assessment and evaluation process. The risk register enables risks to be quantified and ranked. It provides a structure for collating information about risks.

APPENDIX D – CORPORATE RISK MANAGEMENT GROUP – MEMBERSHIP

Member	Officer	Title	Role
Member/Chair	Ade McCormick	Executive Director	Chair and Corporate Risk Lead
Member	Rachel O'Neil	Customers, Commissioning and Change Manager	Customers, Commissioning & Change Risk Lead
Member	Liz Cook	Housing Manager	Housing Risk Lead
Member	Neil Johnson	Economic Growth Manager	Economic Growth Risk Lead
Member	Ian Waller	Health and Wellbeing Manager	Health & Wellbeing Risk Lead
Member	Donna Reddish	Policy and Communications Manager	Policy & Comms. Risk Lead
Member	Cllr Sharon Blank	Cabinet Member for Governance	Independent
Attendee	Sam Sherlock	Emergency Planning & Business Continuity	Business Continuity Support
Attendee	Gerard Rogers	Regulatory & Local Government Law Manager	Legal Service and Monitoring Officer
Attendee	Jenny Williams	Head of Internal Audit	Internal Audit Representative
Attendee	Marc Jasinski	Health and Safety	Health & Safety Representative
Attendee	Karen Ludditt	Group Financial Accountant	Finance, Risk & Insurance Representative
Attendee	Anita Gill	Insurance	Insurance Representative
Attendee	Mick Blythe	PPP Client Officer	PPP Client Representative

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Corporate Risk Register Summary August 2020

Likelihood ↑	5	5	10	14	20	25
	4	4	8	11	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact →				

Risk Reference		Risk Rating (Maximum Score = 25)		
		Start of Year	Current	Target
CR1	Delivering the Medium Term Financial Plan	15	15	12
CR2	Effective project and programme management to deliver key activities and change agenda.	12	20	10
CR3	Workforce - to ensure that we have the right skills and capacity to deliver the Council's priorities.	12	20	9
CR4	Delivery of the ICT transformation programme.	16	12	12
CR5	Emergency Planning & Business Continuity - to ensure that we are able to respond effectively to unexpected events, minimising any damage caused and keeping services running.	8	8	6
CR6	Protecting the Public & Staff (Health & Safety) - to ensure that we have systems in place to reduce the risk of accidents occurring and their severity.	12	12	8
CR8	Information Governance – protection from internet facing assets	12	16	12
CR9	Information Governance (Data Security) - to comply with the statutory and other requirements to ensure that the data we hold is held securely.	12	12	8
CR10	Procurement & Contract Management - to ensure that contracts are procured properly and deliver value for money	15	25	12
CR11	End of the PPP contract – returning Arvato and Kier services to CBC and establishing revenues and benefits services for DDDC.	12	8	6
CR13	The provision of Social Housing - ensuring that the Council is able to support delivery of social housing and that there is a sustainable business plan for the Housing Revenue Account.	12	12	6
CR14	Safeguarding Children and Vulnerable Adults - the ability to fulfil our moral and legal obligations to ensure a duty of care for children and vulnerable adults across our services and facilities.	8	12	8
CR15	Non-Housing Property Maintenance Programme & Funding.	16	16	12
CR16	Local Government re-organisation – Devolution White paper implications	New Risk	15	9
CR17	Council Response to the Covid-19 Pandemic	New Risk	15	6

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Corporate Risk Register 2020/2021

Risk ref	Risk description	Risk causes	Risk effect	Existing controls to mitigate the risk	Current risk rating			Further mitigating action identified and dates for completion	Target risk rating			Risk lead
					Likelihood	Impact	Risk rating		Likelihood	Impact	Risk rating	
CR1	Delivering the medium-term financial plan.	<ul style="list-style-type: none"> Changes in business rates (retention, growth and appeals), Council Tax limitations, new homes bonus and fair funding etc. Cost pressures e.g. pensions, pay inflation, pay policy decisions – real living wage, interest rate changes etc. Fall in capital receipts increasing borrowing required to fund capital programme Pressure on income streams due to competition and market conditions Ten-year maintenance plan for CBC buildings Additional spend pressures & reduced income generation opportunities due to Covid19 pandemic Other unforeseen events 	<ul style="list-style-type: none"> Re-assessment of range and scope of services currently provided and of Council Plan priorities to reduce costs Review of the asset management plan Short-term use of reserves Critical external audit inspection/ audit reports Damage to Council's reputation Loss of confidence from elected members and the public Negative impact on staff morale 	<ul style="list-style-type: none"> 5-year MTFP in place – reviewed on a quarterly basis MTFP includes prudent assumptions re: income levels and challenges Budget monitoring and reporting (to Finance and Performance Board, Scrutiny, Cabinet, Council) Internal audit controls and reporting Capital strategy and asset management plan Monthly budget monitoring Expenditure and vacancy control procedures SLT/CMT monitoring of progress in delivering Action Plan for achievement of savings to address future years deficits Monthly monitoring of impact of pandemic on current & future year financial position 	3	5	15	Range of activities to inform and shape quarterly review of the MTFP: <ul style="list-style-type: none"> Horizon scanning to identify future pressures and opportunities (ongoing) Assessing implications of external pressures e.g. local government finance review/fair funding, new homes bonus and business rate changes (ongoing) Maintaining rigorous budget monitoring to identify variances early and implement corrective action (monthly) Delivery of savings identified in Action Plan during 2020/21 (ongoing) Delivery of the savings targets included in the budget and meeting income targets (ongoing) Ensuring all opportunities for external funding to mitigate impact of pandemic on organisation are identified 	3	4	12	HF
CR2	Effective project and programme management to	<ul style="list-style-type: none"> Lack of effective project management approach, tools and 	<ul style="list-style-type: none"> Unplanned expenditure of resources and 	<ul style="list-style-type: none"> Currently corporate projects are managed through several specific 	4	5	20	<ul style="list-style-type: none"> The Corporate Project Mgt. Framework 2020 will be 	2	5	10	AM

	deliver key activities and change agenda.	<p>governance leads to ineffective planning and delivery of key activities and change agendas.</p> <ul style="list-style-type: none"> • Insufficient planning or having no plan at all to support delivery of key activities and change agendas can lead to lack of output delivery, Inadequate resources being available and overspend of budgets. • Lack of effective project management will undermine effective performance management and monitoring of key activities and change 	<p>budget leads to stresses on staff and services and creates budget pressures.</p> <ul style="list-style-type: none"> • Activities and change are not delivered to the required outputs/outcome. • Diminishing Political support due to the failure to deliver on promised activities and change by Officers. • Reputational damage both within and outside of the Council due to output delivery failure and deadlines not being achieved. • Failure to deliver the ambitions of the Council Plan 	<p>boards e.g. ICT Improvement Programme.</p> <ul style="list-style-type: none"> • In February 2020, Corporate Management Team approved a revised approach / framework for managing corporate projects. The Covid-19 pandemic has slowed down implementation of the new framework. 				<p>established / implemented during 2020.</p> <p>The revised corporate project management framework will provide a robust and pragmatic approach/tools/governance to support effective delivery of key activities and change. – the risk rating will be reviewed further at this point.</p>				
CR3 Page 80	Workforce - to ensure that we have the right skills and capacity to deliver the Council's priorities.	<ul style="list-style-type: none"> • Workload demands exceed capacity • Loss of key people within the organisation e.g. loss of corporate memory and key skills • Lack of training - due to for example budgetary pressures • No effective succession planning • Difficulties in recruitment and retention of key skills / staff • - Lack of mid to long term planning 	<ul style="list-style-type: none"> • Inability to deliver services to the desired standard or projects effectively • Performance suffers due to low morale & job fears • Increased sickness (stress related) • Impact on staff health & well being • Financial e.g. severance costs arrangements 	<ul style="list-style-type: none"> • Twice weekly review and prioritisation of the activity required during Covid-19 pandemic • Effective corporate vacancy control processes are in place. • The Council's workforce strategy is being implemented • HR Business Partners are working alongside service managers to develop effective performance, development and succession plans. • Employee Assistance Programme implemented • Webinar training sessions provided to managers to 	5	4	20	<ul style="list-style-type: none"> • Complete the review and implementation of organisational development principles across the Council from Autumn 2020. • Review the additional internal capacity which is required to deliver the transformational changes required • Complete the restructure of the Corporate Management Team and subsequent roles at Tiers 4 and 5 • Continued delivery of the People Plan 2019 – 2023 	3	3	9	RON

				<p>support them with agile working</p> <ul style="list-style-type: none"> Centralised training budget is in place and prioritised so that essential training is provided and desirable training is supported where budget allows. 								
CR4	Delivery of the ICT transformation programme.	<ul style="list-style-type: none"> Lack of resources and expertise to develop the infrastructure and manage the technology life cycle Ad-hoc development and flawed project documentation Reliance on Partner expertise and resources 	<ul style="list-style-type: none"> Inefficient & expensive services Poor service outcomes Additional Project delays and costs 	<ul style="list-style-type: none"> ICT team brought back to in house service delivery ICT Improvement programme developed and approved Recruitment to new ICT positions, strengthening expertise within the Council Salesforce platform procured, allowing SME development and reducing reliance on specific suppliers 	3	4	12	<ul style="list-style-type: none"> ICT Project Board in place Project documentation implemented consistent with new Project Management framework Training and development plans implemented, ensuring knowledge, skills and competency is maintained Regular review and adjustment of programme priorities to meet Covid-19 requirements, ensuring resources are focused on key needs. 	3	3	9	RON
CR5	Emergency Planning & Business Continuity - to ensure that we are able to respond effectively to unexpected events, minimising any damage caused and keeping services running.	Inadequate or untested plans in place to respond to extreme events (e.g. severe weather, flooding, flu pandemics)	<ul style="list-style-type: none"> Loss of damage to life or property Financial (loss of revenue / additional costs) Disruption to service Damage to reputation 	<ul style="list-style-type: none"> Robust plans in place Flooding and severe weather plans updated New emergency planning liaison officer and deputy emergency planning liaison officer in place, and training provided. Test exercise undertaken Commission advice from DCC Snow Wardens scheme continuing ICT improvement programme approved, which will improve ICT controls Cyber security assessment completed 	2	4	8	<ul style="list-style-type: none"> Strategic and tactical planning in place during Covid-19 pandemic 6 monthly cyber security desk top exercises Continue to deliver ICT improvement programme Review service area BCP's, including Business Impact Analysis Update BCP to accommodate the return of Arvato and Kier services in 2020 	2	3	6	RON

CR6	Protecting the Public & Staff (Health & Safety) - to ensure that we have systems in place to reduce the risk of accidents occurring and their severity.	<ul style="list-style-type: none"> Failure to manage the health & safety risk of the Council's undertakings Lack of training Budget pressures Ageing infrastructure 	<ul style="list-style-type: none"> Death or injury Damage to property or the environment Litigation or prosecutions Financial - claims and increasing insurance premiums Damage to reputation 	<ul style="list-style-type: none"> Health and safety Committee with Assistant Director H&S reports Corporate H&S policy H&S Improvement Programme reported to H&S committee Service level H&S plans Control of contractors' procedures established and implemented through learning. External H&S audits Internal audit review of areas for improvement Council wide SHE system to capture issues. Internal and external training undertaken and monitor refresh dates 	3	4	12	'Corporate H&S to undertake audits to ensure that: a) Policies and procedures are implemented and reviewed regularly b) the actions in the improvement programme are implemented c) Staff appreciate and comply with H&S policy through ongoing training and development Improved on-line training systems Health and Safety forum established to drive health and safety improvements. New Covid-19 secure service manager and assistant director checklists which includes a full premise audit of systems and approaches.	2	4	8	IW
CR8	Information Governance – protection from internet facing assets	<ul style="list-style-type: none"> Lack of cyber security controls Failure to patch ICT systems ICT systems which are unsupported Lack of cyber security knowledge 	<ul style="list-style-type: none"> Service disruption Data exchange with Government departments restricted ICT network suffers breach or attack Reputational damage Financial loss 	<ul style="list-style-type: none"> ICT service returned to in house service delivery Monitoring in place PSN compliance achieved IT health check commissioned annually ICT improvement programme commissioned Increased knowledge, skills and competence of staff ICT health check mitigation plan in place 	4	4	16	- Ongoing delivery of ICT improvement programme - 6 monthly cyber security desk top exercises to be implemented - Specialist cyber security expertise commissioned to support our network design	4	3	12	RON
CR9	Information Governance (Data Security) - to comply with the statutory and other requirements to ensure that the data we hold is held securely.	<ul style="list-style-type: none"> Data breach 	<ul style="list-style-type: none"> Reputation damage Financial Loss Service disruption Poor customer outcomes 	<ul style="list-style-type: none"> Information Assurance framework developed Information assurance policies and procedures reviewed Mandatory training in place Data Protection Officer appointed 	3	4	12	<ul style="list-style-type: none"> Review of records management processes to be implemented during 2020 	2	4	8	RON

				<ul style="list-style-type: none"> Information Rights officer appointed Data protection Impact Assessments built into project governance framework, Quarterly monitoring of Corporate risks by IG team and progress reported to Corporate Leadership Team. 								
CR10	Procurement & Contract Management - to ensure that contracts are procured properly and deliver value for money.	<ul style="list-style-type: none"> Failure to adequately manage Council contracts. Breach of OJEU and other legal regulations. 	<ul style="list-style-type: none"> Financial impact (valuable funding is used for rectification costs) Increase in staff resource to defend the challenge Potential litigation and fines being procured The Council does not receive value for money Discouraged providers may not tender for the contract in the future - potentially reducing the portfolio of providers 	<ul style="list-style-type: none"> Dedicated procurement & legal team to support where necessary on contract management Policies and procedures in place Scheme of delegation and guidance available, registers and online information Staff have been trained in general contractor management Procurement contract with NHS being closely managed 	5	5	25	<ul style="list-style-type: none"> Re-procurement of contract, to include consideration of potential to insource service Relocation of NHS staff to Chesterfield Town Hall Ongoing training and development of staff Development and adoption of procurement strategy 	3	4	12	RON
CR11	End of the PPP contract - returning Arvato and Kier services to CBC and establishing revenues and benefits services for DDDC.	<ul style="list-style-type: none"> Delay in receipt of financial and HR data Lack of co-operation from partners Delay in timescales Recruitment to vacant posts not completed Breach of TUPE legislation Lack of resource to deliver transition plan 	<ul style="list-style-type: none"> Savings not achieved Income levels not achieved Reduction in Service performance Detrimental impact on employee relations 	<ul style="list-style-type: none"> Project Manager recruited Internal Transition project implemented Internal exit plan developed External legal advice engaged Exit plan working groups and steering groups implemented Exit Manager appointed for Arvato 	2	4	8	<ul style="list-style-type: none"> Jointly approved exit plan developed Steering groups held monthly Comms plan developed Regular union engagement, including involvement in CBC working group Early financial data received and being evaluated 	2	3	6	RON

				<ul style="list-style-type: none"> • Kier early transition approved and already returned 								
CR13	The provision of Social Housing - ensuring that the Council is able to support delivery of social housing and that there is a sustainable business plan for the Housing Revenue Account.	<ul style="list-style-type: none"> • Legislative change • Introduction of a new regulatory framework for LA Housing providers under the RSH. • Changes to the rent setting formula • Changes to LHA & the roll out of Universal Credit. 	<ul style="list-style-type: none"> • Reduced resources within the HRA business plan due to the loss income, through rent collection rates and void rent loss • Loss of stock and inability to replace the stock which is sold due to reduced resources. • Increase in Right to Buy sales • Risk of being required to repay retained Right to Buy 1-4-1 receipts to Government • Increased administrative burden in implementing new policies. 	<ul style="list-style-type: none"> • Effective Business Planning to model the implications of possible • Effective housing operational management & policy framework to collect rents, manage voids and sustain tenancies • Effective cost management of operational services repairs and housing management services • Effective customer engagement • Quarterly assessment of RTB receipt spend integrated into Quarterly Capital programme review • Implementation of integrated housing management system 	3	4	12	<ul style="list-style-type: none"> • Annual review of the HRA Business Plan • Quarterly review of the Housing Capital Programme. • Assessment of borrowing approach, including the debt repayment policy • Stock conditioning survey ongoing 2020. • Review of repairs and maintenance standards and lifecycles of building components & asset performance 2020 	2	3	6	LC
Page 84 CR14	Safeguarding Children and Vulnerable Adults - the ability to fulfil our moral and legal obligations to ensure a duty of care for children and vulnerable adults across our services and facilities.	<p>Inadequate policies, procedures, learning and development partnership working to safeguard children and vulnerable adults living in our communities, using our services and to protect the council, its staff (including agency staff), elected members and volunteers</p> <p>During Covid-19 pandemic face to face contact with children and vulnerable adults reduced significantly for</p>	<ul style="list-style-type: none"> • Negative impact on the well-being of children and vulnerable adults • Reputation damage • Public expectations / reaction • Loss of Trust • Loss of Member confidence • Loss of staff morale • Critical external inspection / investigation 	<ul style="list-style-type: none"> • Safeguarding lead roles identified • Safeguarding group established to develop effective response, audit and share best practice • Strong dialogue and engagement with key partners on Derby and Derbyshire Safeguarding children partnership and Derbyshire safeguarding adults board ' member of the Derbyshire districts subgroup • Policies and procedures are up to date • Learning and development 	3	4	12	<ul style="list-style-type: none"> • Keeping up to date with legislative changes, policy changes and best practice • Monitoring trends and horizon scanning via Derbyshire districts group and CBC group • Maintaining annual section 11 audits and improvements • 3 yearly Internal audits • Building safeguarding into all revised job descriptions 	2	4	8	DR

		instance through non-emergency housing repairs or attendance at leisure centres. Safeguarding referrals reduced in these areas. Visibility of vulnerable people during lockdowns can further increase vulnerability.		<ul style="list-style-type: none"> arrangements in place for members and staff Annual audit / self-assessment Regular internal audits Effective partnerships with community and voluntary sector Organising welfare checks where concerns identified Full engagement with VARM processes 									
Page 85	CR15	Non-Housing Property Maintenance Programme & Funding.	A planned maintenance programme with the required funding is not in place	<ul style="list-style-type: none"> Insufficient funding in place Service disruption if operational building taken out of use 	<ul style="list-style-type: none"> Internal audit report identified actions required Condition surveys underway. Progress during March to June 2020 was directly affected by the Covid-19 pandemic response. Work is in progress to draw the current tranche of 10-year maintenance reports together, to assess the requirements and associated costs. It's anticipated that proposals will be in place for review by November 2020. 	4	4	16	<ul style="list-style-type: none"> The Asset Mgt. Group has identified this as a priority risk The Executive Director will be taking a report with both financial and non-financial recommendations to the appropriate Boards/Committee to establish agreed plans and appropriate resources to mitigate this risk The Corporate Risk Register will be updated appropriately as this work progresses 	3	4	12	AM
	CR16	Local Government re-organisation – Devolution White paper implications	Devolution White Paper will set out Government's policy position re: devolution and potentially local government re-organisation. This may be a voluntary position or mandated. Unitarisation moves across the country in response to the Cities and Devolution Act 2015 indicate that there is an appetite from within the sector for change.	Current information suggests a preference for mayoral combined authorities with unitary authorities. The future of district/borough authorities and counties is uncertain.	<ul style="list-style-type: none"> Developed a research and discussion paper identifying the key issues Following national LGR activity Membership of key sector support organisations – LGA, EMCs, DCN Developed with the support of PWC viable alternative to unitarisation – Vision Derbyshire – a collaborative approach for the county council and districts 	3	5	15	<ul style="list-style-type: none"> Continue to update research and maintain discussions with political and officer senior leadership Analysis of Devolution White Paper and its implications as soon as available Continue to work constructively with Derbyshire and other districts via Vision Derbyshire Continue to engage Derby City and other potential 	3	3	9	DR

				<ul style="list-style-type: none"> Final stages of developing the case for change to present to Government Constructive dialogue with Derbyshire and other districts and ongoing key pilot areas 				<ul style="list-style-type: none"> partners where appropriate Dialogue with Government regarding the case for change as a viable alternative to unitarisation 				
CR17	<p>Council response to the Covid-19 pandemic</p> <ul style="list-style-type: none"> The ability to fulfil our moral and legal obligations to ensure a duty of care for employees, contractors, visitors and service users across our services and facilities. To respond effectively to unexpected events, minimising any losses caused and keeping services running 	<ul style="list-style-type: none"> Inadequate or untested plans in place to respond to pandemic 	<ul style="list-style-type: none"> Risk of serious ill-health or death to employees, contractors, visitors and service users. Increased workloads stressful to staff and detrimental to mental wellbeing. Lockdown of some Council premises and services disrupting service continuity. Financial (loss of revenue / additional costs) Damage to reputation 	<ul style="list-style-type: none"> Emergency plan in place Emergency planning liaison officer and deputy emergency planning liaison officer in place. Management teams trained in resilience, emergency planning and business continuity. Advice and documentation available on Resilience website Advice available from central government and DCC. 	3	5	15	<ul style="list-style-type: none"> 3 task and finish groups set up to manage response to crisis. Resources T&F Group has prepared corporate guidance and risk assessments for management teams to implement to ensure their services are 'Covid-Secure'. Services locked down where risk of transmission is highest. In response to Govt. advice on easing lockdown, procedures prepared to ensure premises are inspected, checked, audited and approved as 'Covid Secure' before reopening. ICT improvements have allowed more employees to work effectively from home, therefore reducing risk of transmission. Workplace layouts re-designed to reduce capacity and to ensure social distancing can be maintained. Test and trace arrangements in place in all Council premises. 	2	3	6	AM

For Publication

TREASURY MANAGEMENT ANNUAL REPORT 2019/20 AND MONITORING REPORT 2020/21

Meeting: (1) Standards & Audit Committee
(2) Council

Date: (1) 23 September 2020
(2) 14 October 2020

Cabinet portfolio: Deputy Leader

Report by: Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To consider the Annual Treasury Management Report for 2019/20.

1.2 To consider the Treasury Management activities for the first five months of 2020/21.

2.0 Recommendations

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

- (i) Approve the outturn Prudential Indicators for 2019/20;
- (ii) Approve the treasury management stewardship report for 2019/20;
- (iii) Note the treasury management position for the first five months of 2020/21.

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 2019/20 is attached at Appendix A. 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 2019/20 and confirms compliance with the Council's approved policies.

4.0 **Summary of the Annual Report**

4.1 During 2019/20, 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	2018/19 Actual £'000	2019/20 Revised £'000	2019/20 Actual £'000
Actual capital expenditure	25,737	37,229	25,539
Capital Financing Requirement:			
- General Fund	14,906	17,889	18,447
- HRA	130,358	128,403	128,403
- Total	145,264	146,292	146,850
External debt	129,336	127,341	127,341
Investments – under 1 year	47,547	39,409	42,129
1 year and above	-	-	-
Net borrowing	81,789	87,932	85,212

4.2 Other prudential and treasury indicators are to be found in Appendix A. 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 2019/20.

4.3 The financial year 2019/20 continued the challenging environment of low investment return, with bank base rates holding steady at 0.75% for the majority of the year. The Covid-19 pandemic brought about an interest rate cut to 0.25% in March 2020, swiftly followed by a further cut to a record low of 0.10%. There was a large differential between borrowing and investments rates during the year.

Investments – Interest income received for the year was above budget at £430,000. This was due to increased yields on fixed deposits with banks and other local authorities during the last quarter of 2019/20. Following a review of investments during the 2019/20 financial year the Council continued with its policy of increasing its investments with other local authorities in order to

achieve greater security. Further information can be found in Appendix A.

The in-house team managed average balances of £50.1m earning an average rate of return of 0.86%.

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

- No new external long term borrowing was undertaken; &
- Long term loan repayments of £1m were made.

Treasury Management Advisors – Arlingclose continued to provide treasury management advice to the Council throughout 2019/20. Treasury recommendations were incorporated into the 2019/20 Treasury Management Strategy Statement that was approved by Council in February 2019.

5.0 **Mid- Year Review 2020/21**

5.1 Annual Investment Strategy

In accordance with the Cipfa Code and the Council's Treasury Management 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. Due to the Covid-19 pandemic the Bank Rate was cut to a record low of 0.10% in March 2020; this, together with the continuing uncertainty of economic recovery and the geo-political uncertainties prompt a low risk and short term strategy. There is the possibility that the Bank of England could cut rates further, and the possibility of negative interest rates cannot be ruled out. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the five months ended 31st August 2020.

5.2 Internally Managed Cash Balance

In the first quarter of the year the interest rates achieved were lower than those assumed when setting the budget (0.39% against 0.74%), which has resulted in internal investment returns being £19,000 worse than forecast for the first quarter of the year.

5.3 The Covid-19 pandemic has led to a substantial drop in investment rates during the first quarter of 2020/21. 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 £158.0m, the limit has not been breached.
- Operational Boundary – this was set at £143.4m for the year, again the limit has not been breached.

6.0 **Treasury Management Indicators 2020/21**

Amendments to the 2020/21 General Fund capital programme will be considered by Council in December. Further borrowing may be necessary and this additional borrowing would 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 would 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 2019/20;
- (ii) Approve the treasury management stewardship report for 2019/20;
- (iii) Note the treasury management position for the first five months of 2020/21.

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 (2017) and the CIPFA Prudential Code for Capital Finance in Local Authorities (2017).

Decision information

Key decision number	
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Wards affected	All
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Karen Ludditt	01246 936276 Karen.ludditt@chesterfield.gov.uk
Background documents Local Government Act 2003, CIPFA Prudential Code & Guidance, Accountancy Services' final accounts working papers.	
Annexes to the report	
Appendix A	Annual Treasury Outturn Report 2019/20

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Treasury Management Outturn Report 2019/20

Introduction

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation to have regard to the CIPFA Code.

The Council's treasury management strategy for 2019/20 was approved at a meeting of the Authority on 27th February 2019. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge

falls. In March sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence but financial markets remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period.

Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Local Context

On 31st March 2020, the Authority had net borrowing of £85m arising from its revenue and capital income and expenditure, an increase on 2019 of £3.4m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £000	2019/20 Movement £000	31.3.20 Actual £000
General Fund CFR	14,906	3,541	18,447
HRA CFR	130,358	(1,955)	128,403
Total	145,264	1,586	146,850
Less: Usable reserves	(50,776)	3,543	(47,233)

Less: Working capital	(12,699)	(1,706)	(14,405)
Net borrowing	81,789	3,423	85,212

Net borrowing has increased due to a rise in the CFR as new capital expenditure was lower than the financing applied including minimum revenue provision; together with a decrease in usable reserves.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2020 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £000	2019/20 Movement £000	31.3.20 Balance £000	31.3.20 Rate %
Long-term borrowing	129,336	(1,995)	127,341	
Short-term borrowing	0	0	0	
Total borrowing	129,336	(1,995)	127,341	3.64
Long-term investments	0	0	0	
Short-term investments	27,562	(542)	28,104	
Cash and cash equivalents	19,985	5,960	14,025	
Total investments	47,547	5,418	42,129	0.70
Net borrowing	81,789	3,423	85,212	

Borrowing Activity

At 31st March 2020, the Authority held £127m of loans, a decrease of £2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.20 Rate %	31.3.20 Average maturity years
Public Works Loan Board	129,336	(1,995)	127,341	3.64	27 years
Total borrowing	131,303	(1,995)	127,341		

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In furtherance of these objectives, no new external borrowing was undertaken in 2019/20, while existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs and reduce overall treasury risk.

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields.

The "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Authority's investment balance ranged between £42m and £60m million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position

	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	31.3.20 Rate %	31.3.20 Average maturity years
Banks & building societies (unsecured)	9.0	(9.0)	0	N/A	<1 year
Government (incl. local authorities)	19.0	9.0	28.0	0.84	<1 year
Money Market Funds	19.5	(5.4)	14.1	0.39	<1year
Total investments	47.5	(5.4)	42.1		

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, the Authority continued to increase deposits into more secure asset classes during 2019/20, particularly deposits with other Local Authorities. As a result investment risk was lowered.

Other Non-Treasury Holdings and Activity

Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and regeneration purposes as well as commercial investments which are made mainly for financial reasons. The Authority holds £44m of directly owned investment property and land. This represents a decrease of £4m on the previous year due to revaluation losses. The Authority also holds a £150,000 loan to the Derbyshire Building Control Partnership that commenced in March 2018 and a £75,000 loan to Staveley Town Council that commenced in March 2020.

Performance Report

The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget, as shown in table 5 below.

Table 5: Performance

	Actual £000	Budget £000	Over/ under
Total investment income	(430)	(374)	(56)
Total debt expense	4,947	4,907	40
GRAND TOTAL	4,517	4,533	(16)

Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	2019/20 Maximum	31.3.20 Actual	2019/20 Limit	Complied
Any single organisation	£5m	£5m	£5m	✓
Any group of funds under the same management	£5m	£0	£7.5m	✓
Enhanced Money Market Funds	£10m	£9.9m	£12m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2019/20 Maximum £000	31.3.20 Actual £000	2019/20 Operational Boundary £000	2019/20 Authorised Limit £000	Complied
Borrowing	£129,336	£127,341	£143,400	£158,000	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was below the operational boundary for the whole of 2019/20.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates were:

Interest rate risk indicator	31.3.20 Actual	2019/20 Limit	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£17,000	£150,000	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£17,000	£100,000	✓

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	10%	0%	✓
12 months and within 24 months	1%	10%	0%	✓
24 months and within 5 years	7%	10%	0%	✓
5 years and within 10 years	11%	25%	0%	✓
10 years and within 25 years	50%	50%	20%	✓
25 years and above	28%	70%	20%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2019/20	2020/21	2021/22
Actual principal invested > 364 days	£0	£0	£0
Limit on principal invested > 364 days	£10m	£10m	£10m
Complied	✓	✓	✓

For publication

Audit Report on the 2019/20 Statement of Accounts

Meeting: Standards & Audit Committee

Date: 23rdth September 2020

Report by: Acting Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To approve the Statement of Accounts for 2019/20.

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

1.3 To approve the 'Letter of Representation'.

2.0 Background

2.1 The Accounts and Audit Regulations require that:

- No later than 31st May following the financial year end the responsible financial officer must certify the annual accounts as presenting a true and fair view of the financial position of the authority at 31st March; and

- No later than 31st July the annual accounts and audit opinion must be approved by members and published.

As a result of Covid19, the deadlines were amended by the Accounts & Audit Regulations 2020 which delays these deadlines to 31st August and 30th November respectively.

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

3.0 **Assessment of Going Concern Status**

3.1.1 The concept of 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Code of Practice for Local Authority Accounting and is made because local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).

3.1.2 If an authority were in financial difficulty, the prospects are that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

3.1.3 Where the assessment determines the 'going concern' status is not proven, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

3.1.4 Given the impact of Covid19 on local authorities financial position and the potential threat this poses to the ongoing viability of councils as a consequence, external auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. The 2019/20 financial statements largely reflect a pre-Covid set of circumstances and we need to be confident that we understand and have taken into account any threats to financial sustainability.

3.1.5 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (hereafter referred to as the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

3.2.1 The main factors which underpin this assessment are:

- Current financial position;
- Projected financial position;
- Balance sheet;
- Cash flow;
- Governance, regulatory and control environment.

Each of the above is considered in more detail below.

3.2.2 The provisions in the 2019/20 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their

financial statements to be prepared on anything other than a going concern basis.

Current Financial Position

General Fund

3.3.1 The Cabinet considered the overall outturn report for 2019/20 on 9th June. The report provides more of a commentary on the outturn, variances from budgets and level of reserves. The position at year end was a surplus of £107k which was transferred to reserves. As at 31 March 2020 the Council had a General Fund working balance of £1.5m in line with its Financial Strategy and held earmarked reserves of £11.5m which was £1.1m above the revised estimate. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

3.3.2 The HRA year end position was a surplus of £6.3m against a revised forecast of £4.9m. As at 31 March 2020 the HRA working balance was £24.7m. This was £6.2m higher than expected due to slippage in the capital programme but this will be spent during 2020/21. The level of reserves is reviewed annually. The HRA has a 30 year Business Plan which is showing as affordable with the required estimated resources available to meet the plan. The central government imposed rent restrictions have been lifted from 2020/21 onwards and rents will be increased in line with the guidelines in place, providing further financial capacity to support the business plan.

3.3.3 The Section 151 Officer is satisfied that the Council's 2019/20 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

Projected Financial Position

- 3.4.1 The Medium Term Financial Plan (MTPF) for 2020/21 to 2024/25 was approved by Members in February 2020. The forecast was for a small surplus of £16k for 2020/21 with deficits of £700k in future years. A savings action plan identifying a programme of initiatives designed to eliminate the forecast deficits over the life of the MTPF was included in that report.
- 3.4.2 A revised forecast deficit of £3.2m for 2020/21 was reported to Cabinet in July. Since then we have received further government grant and are making a claim under the governments income compensation scheme which should reduce this deficit to below £1m. It is hoped to identify further savings in the remaining months of this year but a shortfall of this magnitude can be met from reserves.
- 3.4.3 The Government announced a package of financial support for local authorities in July 2020 one element of which was the income compensation scheme where losses from sales, fees and charges over and above the first 5% of planned income would be compensated by Government by 75p for every pound lost. It also announced that it will allow council tax and business rates collection fund deficits to be repaid over three years instead of one. These provisions, together with the Government's stated commitment to support public services through the pandemic, provide assurance that the Council will be able to manage the financial challenge in the medium term.
- 3.4.4 The Council's Section 151 Officer made a formal statement in February 2020 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the Medium Term Financial Plan. We have revisited the underlying assumptions and plan in the light of the challenges presented by Covid-19 and whilst the Council will have to use its reserves to achieve a balanced budget, we are satisfied at this stage that this is achievable. We will continue to review the 2020/21 budget and

ensure our medium term plan is updated as part of our 2020/21 budget preparations to reflect any significant changes. At this stage we are satisfied that the Council's forecast financial position does not present any material uncertainties regarding the Council's ability to continue as a going concern.

Balance Sheet as at 31 March 2020

3.5.1 The Council's net assets amounted to £323.7m and usable reserves totalled £47.2m. We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

Cash Flow

3.6.1 The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2020 the Council has long term borrowing commitments of £125.4m, held £28.1m in short term investments and had £12.6m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. We are satisfied that there no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

Governance Arrangements

3.7.1 The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the Head of Paid Service, the Monitoring Officer and the Section 151 officer in addition to the current political arrangements. An overview of this governance framework is provided within The Annual Governance Statement.

3.7.2 Whilst it is not possible to provide absolute assurance the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness. There are no plans for the Council to be reorganised or dissolved and we expect to operate under the current framework in the near future. We are satisfied that there no significant issues regarding the Council's governance framework which present any material uncertainties regarding the Council's ability to continue as a going concern

The External Regulatory and Control Environment

3.7.3 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

3.7.4 The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. We are satisfied that there no significant issues regarding the external regulatory and control environment which present any material uncertainties regarding the Council's ability to continue as a going concern.

Material Uncertainties

3.8.1 The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern.

3.8.2 Economic uncertainty and difficulties in attaching weight to previous market evidence for comparison has impacted on valuers being able to inform opinions of value at 31 March 2020. In accordance with RICS guidance and in common with other local authorities the property valuations on our land and buildings have been reported by our internal valuer on the basis of 'material valuation uncertainty'. These valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case. This has been disclosed in our 2019/20 accounts for completeness, as under the Code of Practice on Local Authority Accounting these assets are required to be disclosed at valuation. There is a statutory override in place though which means that any valuation movements do not affect the cost to tax payers or useable reserves. There are no indications from our understanding of the local property market or the properties we hold that this is a significant medium term issue for the Council.

3.8.3 We are satisfied that there are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council's ability to continue as a going concern.

3.9 Conclusion

3.9.1 It is therefore considered that the Council remains a 'going concern' and the accounts for 2019/20 have been appropriately prepared on this basis. This assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval, provides assurance to the Council's external auditor.

4.0 **Audited Statement of Accounts 2019/20**

4.1 There were no significant changes introduced to the requirements for presentation of the Statement of Accounts in 2019/20.

4.2 The Statement of Accounts 2019/20 has been audited by the Council's External Auditors, Mazars.

4.3 Some minor changes have been made to the Statement of Accounts in order to address issues identified during the audit. However, the overall financial position remains the same as that reported to Cabinet on 9th June 2020.

5.0 **Report to Those Charged With Governance**

5.1 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'. 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.

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

6.0 **Management Letter of Representation**

6.1 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'.

- 6.2 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.
- 6.3 A copy of the letter is included as **Annexe 3** and provides representations in respect of fraud, compliance with laws and regulations, contingent liabilities, related party disclosures, and post balance sheet events.

7.0 **Recommendations**

- 7.1 That the Committee approves the Statement of Accounts for 2019/20.
- 7.2 That the Committee receives the Report to those Charged with Governance.
- 7.3 That the Committee approves the Management Letter of Representation.

8.0 **Reason for Recommendations**

- 8.1 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 936273/helen.fox@chesterfield.gov.uk
Background documents None	
Appendices to the report	
Annexe 1	Statement of Accounts 2019/20
Annexe 2	Audit Completion report 2019/20
Annexe 3	Management letter of representation 2019/20

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CHESTERFIELD
BOROUGH COUNCIL



Statement of Accounts
2019/20
(Subject to audit)

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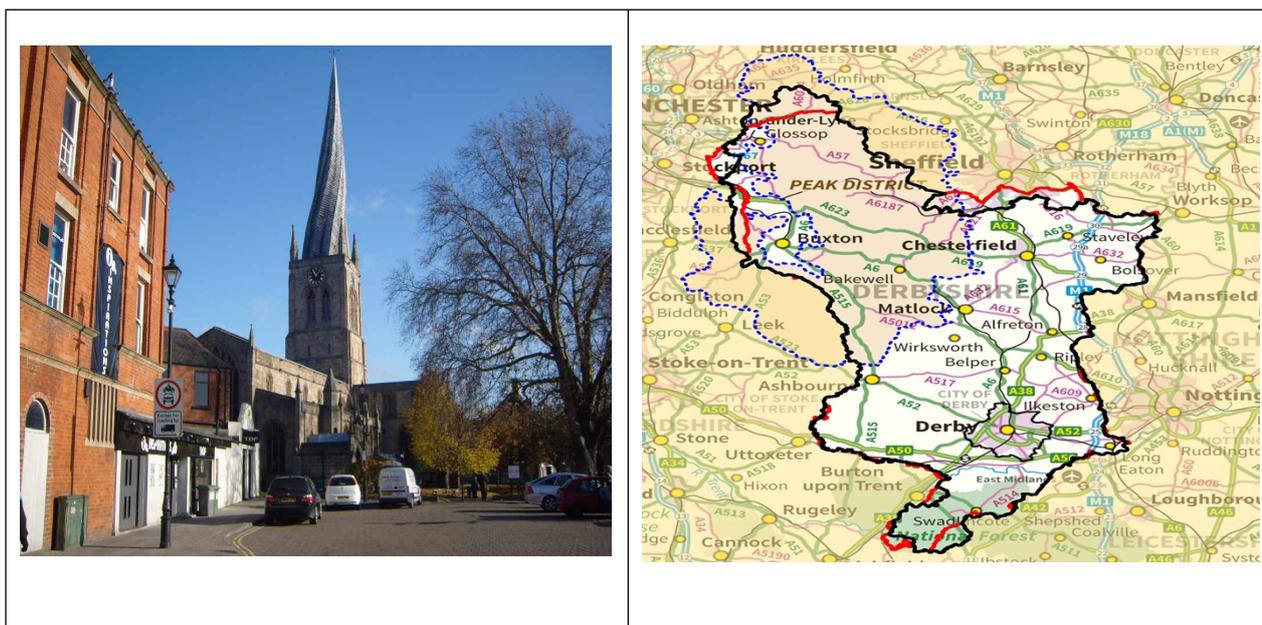
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NARRATIVE REPORT

AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL

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

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



Chesterfield is a major centre of employment (over 52,000 people work in the Borough) and attracts almost 20,000 in-bound commuters on a daily basis. Its employment catchment area covers a large part of the surrounding districts of Bolsover and North East Derbyshire, as well as drawing in people from Derbyshire Dales and Sheffield.

According to the Office for National Statistics Mid-Year Estimates for 2018 reported that Chesterfield's estimated population was 104,600.

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

Economic Profile – a recent economic assessment tells us:

- Over 52,000 people work in the Borough with high levels of employment in the public sector (36%), retail and wholesale (20%), and above average levels of employment in manufacturing (10%). Over the last 10 years local employment has increased by 4%, although this is below the growth rate seen at the national scale of 12%.

- Chesterfield Town Centre is ranked as the 125th largest centre in the country for comparison retail shopping with a market potential of £186m and a shopper population of 105,000. Tourism makes an important and growing contribution to the local economy, with Chesterfield attracting 3.7m visitors in 2017 with an economic impact of £175m, supporting over 2,150 jobs.
- In 2019 there were 3,280 businesses based in Chesterfield. Over the five year period (2013-2018), the stock of businesses increased by 16%, behind the increase seen both regionally (23%) and nationally (23%), but a relatively strong performance when compared to Chesterfield's lower rate of employment growth.
- Unemployment currently stands at 5.0% (April 2020) and has fallen significantly since peaking at over 9% in the mid-1990s. However, since reaching a low point of 1.6% at the end of 2015, the unemployment rate has been climbing gradually since that time to now stand at 5.0% having broadly achieved parity with the national rate.
- The Indices of Deprivation (2019) ranks Chesterfield as the 85th most deprived district in the country (out of 317 districts) measured on a range of deprivation indicators. Chesterfield's relative position has worsened since 2010 when it was ranked 91st but improved on 2015 when Chesterfield was ranked 85th. Chesterfield has particular issues with the Health & Disability and Employment aspects of deprivation where it is ranked 13th and 28th respectively on a national basis.

Political Structure in 2019/20 – the Council's policies are determined by its Politicians and implemented by the Corporate Management Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 2 May 2019 the Labour Party remained in control. The 2019/20 political structure is as follows:

	No. Councillors
Labour Party	28
Liberal Democrat Party	17
Independent	3
Total	48

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

Management Structure - The organisational management structure is headed by the Chief Executive Dr Huw Bowen. The Chief Executive is supported by the Senior Leadership Team, consisting of two Executive Directors. The Senior Team is in turn supported by six Assistant Directors and the Chief Finance Officer, which together form the Corporate Management Team.

Employees – the Council employed 736 full time equivalent staff as at the end of March 2020. The Council has developed a Workforce Strategy which recognises the value and importance of Council staff in delivering services and achieving the Council’s priorities.

NON-FINANCIAL PERFORMANCE

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

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

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

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

Council Plan 2019 – 2023

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

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

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

Council Plan 2019/20 Progress

Of the 33 key activities for delivery during 2019/20, 22 have been completed by year end (81%). There has been significant progress on the remaining activities and the majority have been carried over to be completed in 2020/21.

Key outputs and outcomes for 2019/20 include:

- The new Saltergate multi-storey car park was opened in July 2019. The new car park is located at the heart of Chesterfield close to local shops, restaurants and entertainment venues. It provides 526 spaces over five levels, 32 disabled spaces, 15 parent and child spaces and 6 spaces offering electric vehicle charging points, with a further 10 spaces enabled for conversion to electric charging as demand increases. The car park is open 24 hours a day 7 days a week and has inbuilt secure parking features including CCTV.
- Avant Homes began construction of 177 new homes at Waterside following the completion of a bridge off Brimington Road to enable access. The new developed

called “Waterside Quarter” offers a range of 2, 3 and 4 bedroom homes all within easy reach of Chesterfield town centre and rail station.

- A full town centre events programme was delivered to attract people to the town centre including popular events like the 1940s market, Medieval market, Christmas lights switch on etc.
- With our partners at Destination Chesterfield we ran an extensive shop local campaign during the Autumn and Winter in 2019/20. The campaign focused around supporting our town centre, independent traders and encouraging local people to move their spend to our local economy
- Our annual skills conference took place in February 2020. The conference brought together the business and education communities together to focus on skills activity to equip Chesterfield Borough’s current and future workforce with the skills they need to access employment opportunities
- Carried out extensive housing estate improvement work at Barrow Hill and Grangewood to improve housing conditions, public realm, parking and security
- Following the declaration of a climate emergency we worked with a range of stakeholders to develop a fully costed, ambitious climate change action plan to enable the Council and Borough to become carbon neutral by 2050
- The new 3G pitch at Queens Park was opened in September 2019 and has been a major success. 20 clubs / groups / organisations using the facility at peak times which is really positive and off-peak use is growing steadily currently achieving an occupancy rate of circa 40% which again is really positive for the winter months.
- Following planning workshops with the Equality and Diversity Forum, five successful forum events and activities were delivered in partnership by the forum. Events included Autism awareness training, Talk 20 cultural event, Derbyshire LGBT meeting, Holocaust Memorial Day and International Women’s Day
- We engaged over 1,800 children with our extensive local democracy and civic events and activities
- Joint Cabinet and Employment and General Committee took the formal decision to return Council services run by Arvato and Kier to in-house provision by January 2021. This includes services provided to Derbyshire Dales District Council. A comprehensive transition plan has been developed and approved to enable a successful and smooth transition of services and staff.
- Customer Services Excellence full accreditation was achieved in January 2020

Performance Management Framework

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

FINANCIAL PERFORMANCE 2019/20

Budget Process

Before the start of the 2019/20 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The principal funding sources

to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rent income. The grant income from the Government and the retained business rates income represent 52% of the General Fund Budget requirement with the remaining 48% coming from the Council Tax. The principal rent income comes from the Council's extensive industrial & commercial property portfolio. Other sources of income include the Council's sports centres, theatre, car parks, planning and other services.

During 2019/20 the Council's finances were subject to:

- Retained Business Rates – allows the Council to share in the growth of this income from within its own area.
- Fees, charges and rental income being kept under pressure by economic conditions.
- Council Tax – Government maintained control over any increase by requiring a referendum to be held for an increase of 3% or more. The Council approved a £5 increase in Council Tax for 2019/20 at £164.89 per annum for a Band 'D' property.
- 1% rent reductions on our HRA income.
- Savings and efficiencies through vacancy control, voluntary redundancies, service income strategies, asset rationalisation and budgetary control.

The 2019/20 Council Budget was set at £9.9m and financed as follows:

	Amount £'000	Proportion of total
Government Funding (Revenue Support Grant, retained business rates and other grants)	5,130	52%
Council Tax	4,782	48%
Total Budget (after savings target)	9,912	100%

The budget for 2019/20 which was set in February 2019 showed a deficit of £429k before allowing for the planned savings target. A savings target of £227k was set leaving a balance of £202k to be financed from reserves or further savings. The savings were to be delivered through greater income across council services, commercialisation, asset rationalisation, costs control, investment, procurement and strict financial controls. The Council has made good progress across these areas in delivering savings in 2019/20 to achieve a surplus of £107k at the end of the year.

Revenue Budget Outturn

The position at the end of the year was a General Fund surplus of £107k which was transferred to reserves. The main reasons for the increased surplus compared to the £202k deficit budget for 2019/20 included:

- Increased surplus from commercial operations (+£781k);
- Review of insurance provisions (+£150k);
- Net of all other variances (+£4k).
- Less:
- Reduced rental income from industrial/commercial/retail properties (-£235k);
- Operation of Leisure services (-£230k);
- Recycling (-£161k).

Set out below is a summary of the outturn for 2019/20 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

2019/20 General Fund - Comparison of outturn with the original budget

	Original Budget £000	Actual £000	Variance £000
<u>Portfolios:</u>			
Leader of the Council	47	45	(2)
Deputy Leader of the Council	1,209	1,242	33
Cabinet Member for Economic Growth	(482)	(276)	206
Cabinet Member for Town Centre & Visitor Economy	61	812	751
Cabinet Member for Health and Wellbeing	7,536	7,578	42
Cabinet Member for Housing	1,168	187	(981)
Cabinet Member for Governance	2,895	4,437	1,542
Cabinet Member for Business Transformation	2,514	2,996	482
Portfolio Net Expenditure	14,948	17,021	2,073
Transformation Savings	(227)	-	227
Direct Service Organisations (surplus)/deficit	(837)	(1,578)	(741)
Other - Non-Portfolio Expenditure/(Income)	(306)	(432)	(126)
Service Expenditure	13,578	15,011	1,433
Interest & Capital Charges	(2,949)	(4,370)	(1,421)
Transfer to/(from) Reserves	(515)	(879)	(364)
Surplus/(Deficit) to/(from) Budget Risk Reserve	(202)	107	309
Total Expenditure	9,912	9,869	(43)

The General Fund Working Balance was maintained at £1.5m during 2019/20.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 27 and 29 presents this same information but in the format specified by the Code for external reporting purposes.

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,008 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 2019/20 is set out on pages 101 to 107 and shows a decrease to the HRA balance of £4,503,334 due mainly to funding of the capital programme 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 2019/20 which generated a combined surplus of £1,571,356.

Capital Spending in 2019/20

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

Capital expenditure on General Fund services totalled £6.5m. The main projects included:

- ◆ ICT development - £1.5m
- ◆ Town Hall alterations - £0.2m
- ◆ Parks/Play area upgrades - £0.7m
- ◆ Northern Gateway development - £2.0m
- ◆ Waterside Development - £0.1m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £0.7m
- ◆ Car Park improvements - £0.5m
- ◆ Land purchase - £0.7m
- ◆ Other - £0.1m

A large proportion of the General Fund Capital Programme was funded from borrowing, £3.8m in 2019/20. The remainder was financed from capital receipts from planned asset sales (£0.8m) and grants and contributions (£1.9m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £20.0m of which £11.2m was financed from the Major Repairs Reserve, £3.0m from capital receipts and £5.8m from revenue balances.

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

Total long-term debt outstanding at the end of the year amounted to £125.4m. This should be viewed in relation to the Council's assets which have a net book value of £476m.

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

Pension Costs

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£61.4m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities. Changes in pension scheme valuations and the scheme assumptions can have a material effect on the reserve. A triennial revaluation of the Derbyshire County Council Local Government pension scheme was conducted in 2019/20. Note 16 provides more information along with pension assets and liability details.

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

Treasury Management

The Council borrows principally from the Public Works Loan Board (PWLB). External advisors are engaged to provide advice on treasury management policy. Short term investments at the end of the year were £28.1m.

Reserves & Balances

The Council reserves are set out in Note 11. The level of reserves and annual contributions to those reserves were reviewed during 2019/20.

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

- £1.3m as a provision for significant revenue budget risks
- £0.3m in a Service Improvement Reserve
- £0.3m in a Digital Innovation Reserve and
- £0.7m in a Service Redesign reserve

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates. The balance on this reserve is £1.6m. The Council uses external advisors to assess the appeals provision annually. Risks around larger businesses and potential business rate appeals are monitored quarterly.

The revenue working balance for the General Fund is £1.5m. The balance is prudently based on an assessment of the key income and expenditure risks facing the Council. There is a balance of £24.7m on the Housing Revenue Account at the year-end which will be needed in future years to finance capital improvement works. The Council has a policy of maintaining a minimum £3m HRA working balance.

Medium Term Outlook

The Council continues to face some significant financial pressures over the life of the medium term forecast period with a high level of uncertainty around the future of local government funding and the impact of changes to the business rates growth reset. The impact of the government's proposals for 75% Business Rate retention and the Fair Funding review have been discounted in our financial projections until policy becomes clearer.

The HRA outturn for 2019/20 was a £4.5m reduction in its working balance to fund an extensive programme of council house improvements. The HRA account has a sustainable plan with forecast balanced budgets in all years in the short to medium term. A 2017 stock condition survey showed that Chesterfield homes met the decent homes standard and capital investment needs were lower in some areas than previously thought. The Council had also made a number of operational changes to reduce and rephase its capital programme, reduce the responsive repairs budget, change to a 52 week rent year to match with the payment of Universal Credit and measures to reduce rental income lost whilst properties are void. The Council has regeneration and house building plans developed to continue to spend HRA capital and revenue funds. A further stock condition survey is planned for 2020.

The Council's Medium Term Financial Plan General Fund budget forecast produced in February 2020 shows a budget surplus of £16k in 2020/21 but deficits of £0.7m in future years.

In order to deliver the required savings to meet these budget challenges, an action plan has been developed which provides a programme of initiatives designed to eliminate the forecast deficits over the life of the medium term financial plan. These include the return to in-house provision of currently outsourced back office services, voluntary redundancy, partnership working, asset consolidation and procurement.

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

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

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

The Council is continuing to work in partnership with authorities in Derbyshire to maximise the amount of business rate income that is retained locally.

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

- a) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;
- b) Changes to the key Central Government funding sources such as the Business Rates Retention schemes;
- c) Changes to the regional and national economy impacting on our trading income; and
- d) The impact of the Fair Funding review and the 2020 Autumn Spending review.

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

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

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

continue to be on reducing the base budget, by both reducing expenditure and increasing income.

Corporate Risks and Uncertainties

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

Summary

In 2019/20 the Council made good progress in addressing the financial challenges it faced and in meeting its Council Plan targets.

The General Fund revenue outturn with a £107k surplus was £309k above the original forecast deficit for the year. The HRA ended the year with a working balance of £24.7m. An adequate level of General Fund reserves has been maintained which will help to provide financial resilience for 2020/21 and future years.

The next few years will continue to be challenging but the Council has a good track record of responding to such challenges. However, the medium term financial plan approved in February 2020 made no provision for the effects of Covid19 which was declared a global pandemic on 11th March 2020.

Covid19

Local authorities responded swiftly to the Covid19 outbreak to ensure its support for residents and businesses throughout the pandemic:

Provision of Services

In line with government advice, the council closed its sports centres, venues and other public buildings during March. However essential services were maintained including emergency housing repairs and assistance for rough sleepers. Council staff also provided marshalling services at an NHS testing site, assisted with delivery of food parcels to those residents who were classed as vulnerable and delivered prescriptions to residents' homes for a local pharmacy. A number of additional staff were redeployed to the Crematorium which increased its weekly capacity from 40 to 100 services each week.

The Government introduced a number of grant and relief schemes to provide financial support to businesses and also provided funding for a council tax hardship scheme to assist households on low incomes in meeting their council tax liabilities.

Workforce

From 23rd March, all staff that were able to do so worked from home including the council's call centre operation. IT solutions were put in place prior to the lockdown to enable staff to work from home. Non-emergency visits to residents homes were suspended to protect both staff and residents but services continued to function successfully with the refuse collection service continuing without interruption and parks and open spaces remaining open to the public throughout the lockdown period. Staff absence due to sickness or the need to self-isolate had no detrimental impact on council services.

Supply Chains

There has been no disruption to supply chains during the pandemic and the supply of additional personal protective equipment was maintained.

Financial Position

The additional costs of responding to the pandemic and the loss of income from our sports centres, venues, car parks and commercial operations has had an impact on the General Fund budget for 2020/21. A review of our current financial position and an action plan to address the consequent deficit is underway.

Some government assistance has been provided to meet additional costs. Chesterfield has so far been allocated £1.3m of grant money and has also made a claim under the furlough scheme to support some of our commercial operations. The government have also recently announced an income guarantee scheme to partially reimburse councils for lost income from sales, fees and charges. It is not expected that this assistance will fully cover all of the council's losses and the resulting general fund deficit will have to be met from in year savings or as a last resort from reserves.

The Council had also anticipated developing its action plan to achieve savings to remove forecast deficits in the medium term financial plan during 2020/21 in order to realise savings for the start of 2021/22. However due to the resources required to respond to Covid19, there has been insufficient resources available to develop this work and planned savings for 2021/22 will be difficult to deliver to the original timetable.

The capital programme for both the General Fund and HRA have also been reviewed with delayed starts on site creating slippage on some schemes.

The financial impact of the pandemic on the HRA is expected to be minimal. Tenants rent arrears are expected to rise and the bad debts provision has been increased to mitigate this. However a reduction in the number of internal repairs carried out to ensure safe working practices can be implemented will lead to a corresponding decrease in spend. HRA balances therefore remain on target.

The uncertainty caused by the pandemic, particularly around the estimation of asset values and pension liabilities is included in Note 4.

Cash Flow Management

Cash flows are managed on a daily basis as part of the treasury management function with surplus cash invested until needed. The adverse impact on the Councils cash flow from loss of income from fees and charges and from local taxation from council tax and business rate payers has been eased by Government measures allowing deferral of business rate payment obligations to them and by the upfront payment of business rate grants for 2020/21. Although

our level of investments have fallen in the first part of the year, we have had sufficient cash to meet our obligations as they arise. This position continues to be monitored on a daily basis.

Major Risks to the Council

The Councils corporate management team continue to meet weekly to monitor and manage risks. The impact of Covid19 has been included on the corporate risk register and annual governance statement and will be monitored as part of the governance arrangements for these documents.

Plans for Recovery

Our immediate focus has been on a co-ordinated response to support the borough and its communities during lockdown followed by preparations to manage the phased opening up of the borough and town centres.

As restrictions are lifted, public buildings are reopening and most services are being reinstated.

Activities so far in supporting businesses and economic recovery have included:

- 661 businesses have received £18m business rates relief
- £25.6m has been paid out in small business grants to 2,197 businesses
- The council is currently processing discretionary grant fund payments to 198 businesses
- Rental payments have been deferred for 3 months for our vulnerable commercial & industrial tenants

The council has approved an economic recovery programme to assist the local economy using £500k over the next two years for activities and initiatives by the realignment of approved budgets together with the government grants to support the reopening of the town centre. Plans will also be developed to promote health and wellbeing and to continue to support the most vulnerable residents of the borough.

Further Information

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

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

**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 2019/20 and comprise:

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

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

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

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

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

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

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

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

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the 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 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 2020.

**H FOX CPFA
CHIEF FINANCE OFFICER**

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31st March 2020 and up to the date of approval of the Statement of Accounts.

The Governance Framework

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

The Council's vision is "Putting our communities first". Chesterfield Borough Council identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users via its Council Plan and Vision statement. The Council Plan consists of 3 priorities: -

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

The Council's values reflect the way the council wants to achieve its vision, these are: -

Customer focused: delivering great customer service, meeting customer needs

Can do: striving to make a difference by adopting a positive attitude

One council, one team: proud of what we do, working together for the greater good

Honesty and respect: embracing diversity and treating everyone fairly

COVID-19

Coronavirus was categorised as a pandemic by the World Health Organisation on 11 March 2020. The challenge to the Council was how to continue to provide essential services to residents. The Council's Business Continuity Plan was brought in to play and systems and processes were revised and introduced to focus efforts on the highest prioritised areas. These included:-

- Payments of benefits
- Emergency housing repairs
- Waste collection
- Payment of salaries
- Payment of invoices to suppliers
- Homelessness / rough sleeping
- Death management
- Access to parks and open spaces
- Careline Services

The Council has worked closely with our partner Arvato to ensure that business support grants were paid out as promptly and as accurately as possible. 2175 business grants have been paid out to the value of £25.7 million.

In the community, staff have been redeployed in support of local pharmacies to deliver medicines to residents' homes, have made regular food parcel deliveries to those in need, have provided marshalling services to NHS test sites and are working with local community groups and charities to support a range of activities. Staff have also been redeployed around the Council to support the rollout of small business grants, to work at the Crematorium and to help ensure the Careline service can keep running for the benefit of the borough's elderly residents.

Updates have been provided to staff and residents through the Council's website and other social media channels such as face book. Many staff are working from home and the progress made in respect of the implementation of the IT strategy has allowed this to happen effectively and securely. The roll out of Microsoft teams has enabled staff to hold meetings and stay in touch remotely.

One issue in March 2020 was the inability to conduct council meetings due to COVID -19. However, the Council's scheme of delegation was promptly reviewed and updated to allow remote council meetings accessible online by the public, to take

place and legal decisions to be made. These virtual meetings have now been rolled out with specific member training and guidance.

The Council's governance arrangements have operated well during the pandemic and allowed all of the above to take place and to keep essential services running.

Governance Arrangements

The Council Plan is cascaded down, through managers, meetings, service plans, team plans, budgets, the medium term financial plan and employee performance development reviews. This flow ensures that resources are utilised for the achievement of the Council Plan and vision.

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements, it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements.

In July 2019 the Council took the decision to remain a member of D2N2 Local Enterprise Partnership (LEP) and relinquish membership of Sheffield City Region (SCR) LEP although remaining a non-constituent member of the SCR mayoral combined authority. This decision was taken against the backdrop of the sustained central government message that LEP overlaps had to cease and increasing pressure from both LEP chairs for Chesterfield to exercise its choice in the matter.

We are a key partner in the East Midlands HS2 Partnership which comprises of a cross party group of county borough, district and city council Leaders, two local enterprise partnerships and the East Midlands Chamber of Commerce, Midlands Connect and a range of other stakeholders. The prospect of an HS2 connection at Chesterfield station is already driving major regeneration of the town centre and adjacent commercial areas.

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

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

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

Formal Codes of Conduct are in place for Members and Officers and are available on the intranet and form part of induction procedures. To further enhance these high standards

the Council has in place a comments, complaints and compliments procedure, a Customer Services Charter, an Anti- Fraud, Bribery and Corruption policy and a Confidential Reporting (whistle blowing) Code.

In order to ensure compliance with relevant laws and regulations, internal policies and procedures, Chesterfield Borough Council has a comprehensive induction package and provides training for staff and Members on a regular basis. The Constitution is underpinned by legal references. Training needs are identified through member and employee performance and development reviews and continuous professional development is encouraged. There is an online learning tool that records all training and includes a comprehensive bank of training modules. Policies are readily available on the intranet to view.

The Council has adopted a 'People Plan 2019 – 2023' which aims at developing great leaders, managing change well, developing capacity and skills, supporting employee wellbeing and providing recognition and reward.

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

The ICT improvement programme is progressing and has so far achieved its targeted objectives. The first phase of savings have been realised and the resilience of core ICT systems is improving. The Council has achieved continued accreditation for the Public Service Network and Cyber Essentials Plus.

The Council has a number of growth and regeneration projects underway e.g. Chesterfield Waterside, Peak Resort, Northern Gateway, Staveley Corridor. A partnership arrangement has been established with Derbyshire County Council, to be led through a Joint Growth Board in order to provide improved focus on the delivery of key projects within the Borough.

In June 2017, Building Control left the Council to become part of a limited company (The Derbyshire Building Control Partnership). There are a series of legal agreements that support the new company including a shareholder agreement and a service level agreement. A separate Board has been set up to govern the new company. The company is consolidating its position in the market and has significantly outperformed the budget forecast as set out in the original business case.

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

The Chief Financial Officer is professionally qualified and experienced to undertake their roles and responsibilities and is supported by an experienced and appropriately qualified finance team (interim arrangements currently in place). The Chief Financial Officer is a key member of the Corporate Management team and leads and directs a finance function that is fit for purpose. The Chief Financial Officer ensures compliance with S151 requirements. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Internal Audit is provided on a Consortium basis for Bolsover District Council, North East Derbyshire District Council and Chesterfield Borough Council. The Internal Audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and conforms to the requirements of the CIPFA statement on the Role of the Head of Internal Audit 2019. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team. The external review of internal audit confirmed that the team is compliant with the PSIAS.

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including an internal and external Communication and Engagement Strategy, the Council's website, the publication of "Your Chesterfield" four times a year which includes "Our Homes" for tenants and leaseholders and an annual Community Engagement Programme.

Review of Effectiveness

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

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

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

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

- Chesterfield was the first town to declare itself an "Apprentice Town" and there are now over 3,500 apprentices learning and earning in Chesterfield.
- The Saltergate multi story car park opened in July 2019.
- The new 3G pitch opened at Queens Park Sports Centre in September 2019.
- 16 council houses are on target to be built or procured by the end of 2019/20. This includes 10 new properties at Heaton Court and 2 at Houldsworth Drive plus two acquisitions.
- Avant Homes have commenced working on new residential properties at Waterside to construct 177 new homes.
- Excellent progress has been made on the improvement programme at Grangewood estate which includes extensive refurbishment of 5 residential blocks containing 150 flats and environmental improvements for the estate.
- In terms of ICT, procurement of the Council's digital platform is complete and development of the new solution is underway. By year end, customers will be able to access a secure customer portal to obtain personalised information and request council services online.
- The Coroners office moved into the town hall in January 2020 providing an income source to the council.
- A climate change emergency has been declared and the council have set up a working group to explore how the council and the borough can work towards becoming carbon neutral. A fully costed action plan has now been developed.

Internal Audit Opinion 2019/20

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

In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2019/20. However, the exception to this is in respect of procurement policies and procedures for which an inadequate assurance internal audit report has been issued. In this area governance, risk management and control arrangements were not operating effectively. A number of recommendations have been made to reduce the risk to the organisation and improve the arrangements in place.

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

Overall, 25/28 (89%) of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.

A Review of 2018/19 Governance Issues

A mid - year review of progress against the 2018/19 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. The action plan identified 6 areas for improvement. Positive progress has been made in every area. Where further action / monitoring is required these areas have been carried forward to the 2019/20 AGS action plan which will be delivered through the 2020/21 municipal year.

Significant Governance Issues

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Management team has identified that there are some areas where action can be taken to improve the governance arrangements in place.

At its meeting on 22nd July 2020 Standards & Audit Committee registered its serious concerns around issue No. 5 below (procurement). The committee was disappointed to see that recommendations first made by the Internal Audit Consortium in their report dated 6th April 2018 are yet to be fully implemented. Furthermore, it noted that the lack of progress appears persistent, and has been identified in the authority's Annual Governance Statement, or in the Annual Governance Statement Action Plan, as an area of concern every year since 2013/14. The committee therefore asked that the audit recommendations for procurement are implemented as a matter of urgency.

The following areas for improvement and focussed risk management have been identified:

No.	Issue Identified	Action to address
1.	Budget – many budget risks continue from previous years: - <ul style="list-style-type: none"> • Business rate appeals • ICT savings not being delivered • The outcome of the Governments Fair Funding and changes to business rate funding is still not clear • Staffing cost pressures • Escalating energy prices and general cost inflation • Achieving income targets for rents, fees, charges and interest • Delivering required budget savings • Additional costs, unachieved savings targets and income reduction in terms of COVID-19 that may not be fully reimbursed by central government 	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. This will be achieved through the established mechanisms for financial planning and reporting: <ul style="list-style-type: none"> • Finance and Performance Board • Corporate Cabinet and Corporate Management team workshops • Monthly budget monitoring reports to service managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions • Due to COVID -19 an additional full budget review in June 2020 to identify savings / non-essential areas of spend, income opportunities

		<ul style="list-style-type: none"> Looking at how to increase the income levels of services such as venues and leisure centres <p>An action plan to balance deficits from 2021/22 was presented to Cabinet and Council in February 20. Each element of this action plan must be delivered during the next 12 months to ensure a balanced medium term forecast over the full 5 years of the Medium Term Financial Plan.</p>
2	<p>Non Housing Property Repairs – Contributions to the property repairs fund for the council’s properties such as the Town Hall do not match the maintenance plans that have been drawn up. Future property repairs anticipated spend is unlikely to be covered by existing budgets. Large major items (lifts etc.) do not form part of the current contributions as they are funded from capital.</p>	<p>The Council’s Asset Management Group are reviewing the whole of Non Housing property repairs to ascertain the complete picture for future maintenance plans and repairs budget requirements.</p> <p>As the costs become clearer decisions will be required to rationalise poor quality assets, increase contribution to the property repairs fund or to borrow for major capital repairs. Options for funding of the works will be required and progressed through the appropriate governance structure.</p> <p>This work is being taken forward as a priority and the target for a report being prepared is September 2020 which will contain recommendations for consideration by stakeholders. This is, however, dependant on officer availability to complete this work due to the demands on resources as a result of the COVID 19 virus.</p>
3	<p>Workforce capacity and capability – ongoing budget challenges and service demands mean that the Council will need to continue to manage workforce capacity and capability.</p> <p>There is still a capacity issue at SLT/CMT level although there are interim arrangements in place to cover vacant posts.</p> <p>The impact of COVID 19 will have further exacerbated this situation and some projects may need to be deferred.</p>	<p>The people plan 2019 – 23 will start to be implemented which aims to develop great leaders, manage change well, develop capacity and skills, support employee wellbeing and promote recognition and reward.</p> <p>The Corporate Management team structure review will be completed.</p> <p>Vacancy control processes will continue to be followed ensuring that service demands can be met whilst managing budget. This will be managed together with a renewed Voluntary Redundancy programme, as set out in the savings action plan.</p>

		The timescales of projects will be reviewed and adjusted accordingly
4	<p>Project and programme management / decision making / governance processes.</p> <p>As the Council's ambitions have developed and increasing numbers of projects have been started, governance arrangements to ensure effective project management have not been implemented consistently across the Council.</p>	<p>A Corporate Project Management Framework has been produced and approved through the appropriate governance arrangements.</p> <p>The framework provides strategic direction, processes, governance and tools to support the corporate development and management of projects across the Council.</p> <p>The Corporate Project Management Framework will be implemented and go live from August 2020</p>
5	<p>Procurement – work has been undertaken to improve the procedures and processes in place. However, an inadequate internal audit report has recently been issued for the following main reasons:-</p> <ul style="list-style-type: none"> • There is a contracts register in place but this is not up to date or fully accurate. • The procurement plan is not comprehensive. • The agreement with the NHS is due to end at the end of September 2020 and a procurement exercise needs to take place • Some historic contracts still exist. • Training modules have been developed but very few staff have completed these. • A draft strategy has been written but has not yet been approved or adopted. 	<p>The format of the contracts register will be reviewed and the register will be brought up to date.</p> <p>The contracts register will be used to produce a comprehensive procurement plan.</p> <p>The contract with the NHS procurement team has been extended to allow for the retendering of the procurement service.</p> <p>Liaison will continue with service teams to identify any supply that is not compliant and remedial action will be taken. Mandatory training requirements will be finalised and rolled out.</p> <p>A procurement strategy will be adopted.</p>
	<p>COVID-19 - The challenge to the Council was how to continue to provide essential services to residents. The Council's Business Continuity Plan was utilised to focus efforts on the highest prioritised</p>	<p>Whilst every indication is that the implementation of the Council's business continuity plans was successful, a full exercise will be undertaken by the Corporate Management team to identify any lessons learned that can be implemented in the</p>

<p>areas. Staff were enabled to work from home and redeployed where possible to help provide essential services.</p> <p>Urgent changes were made to the Council's delegation scheme to enable decisions when physical meetings became impossible, and then to allow remote meetings to take place and legal decisions to be made. In due course a safe transition back to physical meetings will be managed.</p> <p>Another challenge moving forward will be the safe re-opening of services such as car parks, leisure centres and Venues. These include the health and safety of staff and customers.</p>	<p>future.</p> <p>The Council's budgets will need to be revisited as not only has there been an increase in expenditure but also a substantial loss of income.</p> <p>Risk assessments will be undertaken in line with government guidelines.</p>
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the 2019/20 Annual Governance Statement action plan.

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

Signed:

H Bowen
Chief Executive

Councillor T Gilby
Leader of Chesterfield Borough Council

Date:

MOVEMENT IN RESERVES STATEMENT

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

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

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

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2018	12,429	27,696	4,703	-	6,612	51,440	261,520	312,960
Movement in reserves during 2018/19								
Total Comprehensive Income & Expenditure	(1,143)	4,094	-	-	-	2,951	(10,187)	(7,236)
Adjustments between accounting basis & funding basis under regulations (note 10)	1,640	(2,413)	553	-	(3,395)	(3,615)	3,615	-
Net Increase/ (Decrease) in 2018/19	497	1,681	553	-	(3,395)	(664)	(6,572)	(7,236)
Balance at 31st March 2019 carried forward (notes 11, 39 & 40)	12,926	29,377	5,256	-	3,217	50,776	254,948	305,724
Movement in reserves during 2019/20								
Total Comprehensive Income & Expenditure	(11,116)	(31)	-	-	-	(11,147)	29,107	17,960
Adjustments between accounting basis & funding basis under regulations (note 10)	12,297	(4,568)	(1,163)	-	1,038	7,604	(7,604)	-
Net Increase/ (Decrease) in 2019/20	1,181	(4,599)	(1,163)	-	1,038	(3,543)	21,503	17,960
Balance at 31st March 2020 carried forward (notes 11, 39 & 40)	14,107	24,778	4,093	-	4,255	47,233	276,451	323,684

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

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

The Statement has two sections.

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

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

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2018/19 (Restated)			Portfolio	2019/20		
Expenditure £000	Income £000	Net Expenditure £000		Expenditure £000	Income £000	Net Expenditure £000
225	(44)	181	Leader of the Council	260	(54)	206
2,724	(251)	2,473	Deputy Leader of the Council	5,281	(310)	4,971
3,701	(2,962)	739	Cabinet Member for Economic Growth	2,615	(4,133)	(1,518)
8,714	(7,368)	1,346	Cabinet Member for Town Centre and Visitor Economy	8,938	(7,468)	1,470
13,874	(7,438)	6,436	Cabinet Member for Health and Well Being	14,120	(7,330)	6,790
1,804	(1,382)	422	Cabinet Member for Housing	1,538	(1,371)	167
4,038	(1,237)	2,801	Cabinet Member for Governance	6,234	(1,379)	4,855
36,307	(33,240)	3,067	Cabinet Member for Business Transformation	33,559	(29,779)	3,780
71,387	(53,922)	17,465	COST OF GENERAL FUND SERVICES	72,545	(51,824)	20,721
25,453	(36,206)	(10,753)	Local Authority Housing (HRA)	28,815	(36,157)	(7,342)
96,840	(90,128)	6,712	COST OF SERVICES	101,360	(87,981)	13,379
2,909	-	2,909	Other operating expenditure (Note 12)	4,058	-	4,058
5,533	(5,489)	44	Financing & investment income & expenditure (Note 13)	12,192	(6,334)	5,858
-	(12,616)	(12,616)	Taxation & non-specific grant income (Note 14)	-	(12,149)	(12,149)
		(2,951)	(Surplus)/Deficit on Provision of Services			11,146
		(4,236)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			(2,948)
		-	(Surplus)/deficit on revaluation of available for sale financial assets			-
		14,423	Actuarial (gains)/losses on pension liabilities			(26,158)
		10,187	Other Comprehensive Income & Expenditure			(29,106)
		7,236	Total Comprehensive Income & Expenditure			(17,960)

BALANCE SHEET

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

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

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

BALANCE SHEET AS AT 31ST MARCH 2020

2018/19 £000		2019/20 £000	Notes
341,235	Council Dwellings	344,940)
67,917	Other Land & Buildings	73,543)
673	Vehicles, Plant, Furniture & Equipment	1,176)20,21
2,434	Infrastructure Assets	2,193)23,24
4,072	Community Assets	4,072)26
11,489	Assets Under Construction	8,053)
895	Surplus Assets Not Held for Sale	1,411)
428,715	Property, Plant & Equipment	435,388	
2,902	Heritage Assets	2,902	22
40,147	Investment Properties	36,798	25
229	Intangible Assets	140	
499	Long Term Debtors	507	
472,492	Long Term Assets	475,735	
7,791	Assets Held for Sale - Investment Properties	7,500	32
27,578	Short Term Investments	28,104	
207	Inventories	219	
10,416	Short Term Debtors	10,368	30
20,484	Cash & Cash Equivalents	14,142	31
66,476	Current Assets	60,333	
(1,999)	Short Term Borrowing	(1,971)	
(17,779)	Short Term Creditors	(16,859)	33
(1,483)	Short Term Provisions	(1,459)	34
(498)	Cash Overdrawn	(1,563)	31
(21,759)	Current Liabilities	(21,852)	
(127,341)	Long Term Borrowing	(125,373)	
(3,393)	Long Term Provisions	(3,335)	34
(80,422)	Net Pension Scheme Liabilities	(61,373)	16 & 43
(176)	Other Long Term Liabilities	(309)	
(153)	Capital Grants Receipts in Advance	(142)	18
(211,485)	Long Term Liabilities	(190,532)	
305,724	Net Assets	323,684	
50,776	Usable Reserves	47,233	11 & 39
254,948	Unusable Reserves	276,451	40 - 46
305,724	Total Reserves	323,684	

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

2018/19 £000		2019/20 £000
(2,950)	Net (surplus)/deficit on provision of services	11,146
(21,679)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 47)	(29,151)
9,376	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 48)	7,208
(15,253)	Net cash flows from Operating Activities (Note 49)	(10,797)
19,303	Investing Activities (Note 50)	19,684
2,087	Financing Activities (Note 51)	(1,481)
6,137	Net increase/decrease in cash and cash equivalents	7,406
(26,122)	Cash and cash equivalents at beginning of reporting period	(19,985)
(19,985)	Cash and cash equivalents at end of reporting period (Note 31)	(12,579)

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 2019/20 financial year and its position at the year end 31st March 2020.

The Accounts and Audit Regulations 2015 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

1.2 ACCRUALS OF EXPENDITURE & INCOME

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

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

A further exception relates to wages. Only 52 weeks wages are included each year which means that the accounts do not include 1 day's pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2019/20 is a 52 week year for weekly payroll costs.

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

1.3 CASH & CASH EQUIVALENTS

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

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

1.4 INTERNAL INTEREST

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

1.5 OVERHEADS

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

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

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

Termination Benefits

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income & Expenditure Statement to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement
- Net interest on the net defined benefit liability (i.e. net interest expense for the Authority) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income & Expenditure
 - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income & Expenditure
- Contributions paid to Derbyshire County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

1.7 REVENUE RECOGNITION

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

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

1.8 VALUE ADDED TAX

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

1.9 EVENTS AFTER THE BALANCE SHEET DATE

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect these events
- Those indicative of conditions arising after the reporting period – the Statement of Accounts is not adjusted, but where the event would have a material effect, disclosure is made in the notes on the nature of the event with an estimate of the financial effect

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

1.10 INVENTORIES

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

1.11 RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable

resources for the Council. These reserves are explained in the relevant accounting policy.

1.12 PROVISIONS

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

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

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

1.13 INVESTMENT PROPERTY

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

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

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

1.14 PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

Non-current Assets Held for Sale

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

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

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

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

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

Disposals

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

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

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

1.15 DEPRECIATION & IMPAIRMENT

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets with no determinable finite useful life (i.e. freehold land and

heritage assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation charges are calculated as follows:

- dwellings and other buildings - using the straight line method over the useful life of the asset (which can be determined at the time of acquisition or revaluation).
- Vehicles - depreciated by 25% on a reducing balance basis.
- Plant and equipment - depreciated on a straight line basis.

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

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

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

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

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

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

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

1.16 HERITAGE ASSETS

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

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

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

1.17 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

1.18 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1.19 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

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

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

Community Infrastructure Levy

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

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

1.20 LEASES

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

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

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

Finance Leases

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

Operating Leases

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

The Authority as Lessor

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

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

1.21 **FINANCIAL INSTRUMENTS**

Financial Liabilities

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the

effective rate of interest for the instrument. This means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority may also make loans to the voluntary sector at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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

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

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

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

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

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

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

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

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

1.22 INTEREST IN COMPANIES AND OTHER ENTITIES

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

There were no group accounts identified for 2019/20.

1.23 JOINTLY CONTROLLED OPERATIONS

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

The Council has a joint operation with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. The Council recognises on its balance sheet, its share of the assets that it controls and liabilities incurred and its share of the expenditure and income earned from the operation on its Comprehensive Income & Expenditure Statement. Note 53 provides further details.

1.24 CONTINGENT ASSETS/LIABILITIES

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

1.25 PRIOR PERIOD ADJUSTMENTS

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

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

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

1.26 PRIVATE PUBLIC PARTNERSHIP

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

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

1.27 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

1.28 COUNCIL TAX AND NON-DOMESTIC RATES

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

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

The Code of Practice on Local Authority Accounting for 2019/20 requires the disclosure of information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The relevant standards introduced are:

- Amendments to IAS28 Investments in Associates & Joint Ventures: long term Interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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

Changes to IFRS16 Leases which requires local authorities that are lessees to recognise most leases on their balance sheet has been deferred for local government to 1st April 2021.

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 2020, for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including mortality rates, expected return on fund assets and future salary rate increases. A firm of actuaries are engaged by the pension fund administrator to advice on the assumptions to be applied.	These assumptions interact in complex ways. During 2019/20, the actuaries advised that the net pensions liability had increased by £4.211m because of estimates being corrected as a result of experience and decreased by £31.278m attributable to updating their assumptions.
Arrears	At 31 st March 2020, the Authority had a balance of sundry debtors of £4.3m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.4m 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 £43k to be found.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that this level of spending on repairs and maintenance can be sustained, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, including council houses, would increase by £1.1m for every year that useful lives had to be reduced.
Fair value measurement	<p>When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted prices for similar assets in active markets or discounted cash flow are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values, including considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value amount.</p> <p>Where Level 1 inputs are not available, the authority uses relevant experts to</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates, adjusted for regional factors, for investment properties and some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.</p>

	<p>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 21, 25 and 37.</p>	
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A further source of uncertainty has arisen due to the introduction of the Business Rates Retention Scheme from 1st April 2014. Local Authorities are now liable for a proportion of successful appeals against business rates in their proportionate shares. Therefore a provision has been recognised in the accounts to cover this liability. It is difficult to judge the size of the provision required due to the high level of uncertainty as to when and if the appeals will be decided and which appeals will be successful. The provision has been calculated using information from the Valuation Office ratings list of appeals and an analysis of successful appeals to date by an independent company.

Impact of Covid19

The Coronavirus pandemic has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The land and building and investment property valuations included in our accounts have therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

The impact of the pandemic may result in a material adjustment being required to the carrying values of assets and pension fund valuations in the next financial year. Impairment allowances may need to be increased if asset values fall and the net pension liability may be impacted by many factors.

An estimate has been made of the possible effect on individuals and businesses within the calculation for impairment of debtors. This may not be sufficient to cover the eventual losses incurred and arrears levels may increase if individuals and businesses are not able to make payments for council tax, business rates, housing and commercial rents and sundry debtors.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The programme of capital expenditure on Council Housing remained high at £20.0m in 2019/20. This spending is aimed at maintaining dwellings at the decent homes standard. It is anticipated that this level of investment will continue into future years.

6. EVENTS AFTER THE BALANCE SHEET DATE

The statement of accounts was authorised for issue on 10/08/2020 by the Chief Finance Officer, Helen Fox CPFA. This is also the date up to which events after 31st March 2020 have been considered.

7. EXPENDITURE AND FUNDING ANALYSIS

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

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

Expenditure & Funding Analysis

2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances (Restated) £000	2018/19 Adjustment between Funding and Accounting Basis (Restated) £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated) £000	Portfolio	2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2019/20 Adjustment between Funding and Accounting Basis £000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
168	13	181	Leader of the Council	149	57	206
3,337	(864)	2,473	Deputy Leader of the Council	8,084	(3,113)	4,971
5,937	(5,198)	739	Cabinet Member for Economic Growth	(1,205)	(313)	(1,518)
(2,681)	4,027	1,346	Cabinet Member for Town Centre and Visitor Economy	(3,289)	4,759	1,470
4,843	1,593	6,436	Cabinet Member for Health and Well Being	2,276	4,514	6,790
(607)	1,029	422	Cabinet Member for Housing	757	(590)	167
2,499	302	2,801	Cabinet Member for Governance	2,222	2,633	4,855
684	2,383	3,067	Cabinet Member for Business Transformation	(1,102)	4,882	3,780
(8,339)	(2,414)	(10,753)	Housing Revenue Account (HRA)	(2,773)	(4,569)	(7,342)
5,841	871	6,712	Net Cost of Services	5,119	8,260	13,379
(8,019)	(1,644)	(9,663)	Other Income and Expenditure	(1,701)	(532)	(2,233)
(2,178)	(773)	(2,951)	(Surplus)/Deficit	3,418	7,728	11,146
(40,125)			Opening General Fund and HRA Balance	(42,303)		
(2,178)			Movement	3,418		
(42,303)			Closing General Fund and HRA Balance	(38,885)		
(12,429)			Opening General Fund Balance	(12,926)		
(497)			Movement	(1,181)		
(12,926)			Closing General Fund Balance	(14,107)		
(27,696)			Opening HRA Balance	(29,377)		
(1,681)			Movement	4,599		
(29,377)			Closing HRA Balance	(24,778)		

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

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

Adjustments between Funding and Accounting Basis 2019/20				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Leader of the Council	-	57	-	57
Deputy Leader of the Council	-	(3,083)	(30)	(3,113)
Economic Growth	(213)	387	(487)	(313)
Town Centre & Visitor Economy	4,079	679	1	4,759
Health & Wellbeing	1,113	3,400	1	4,514
Housing	(654)	64	-	(590)
Governance	1,938	691	4	2,633
Business Transformation	266	4,208	408	4,882
Housing Revenue Account	(3,324)	706	(1,951)	(4,569)
Net Cost of Services	3,205	7,109	(2,054)	8,260
Other income & expenditure from Expenditure & Funding Analysis	823	-	(1,355)	(532)
Difference between General Fund deficit and CIES deficit on Provision of Services	4,028	7,109	(3,409)	7,728

Adjustments between Funding and Accounting Basis 2018/19				
Portfolios	Adjustment for Capital Purposes (Restated) £000	Net change for Pension Adjustments (Restated) £000	Other Differences (Restated) £000	Total Adjustments (Restated) £000
Leader of the Council	-	13	-	13
Deputy Leader of the Council	-	(867)	3	(864)
Economic Growth	(5,244)	115	(69)	(5,198)
Town Centre & Visitor Economy	3,816	211	-	4,027
Health & Wellbeing	638	954	1	1,593
Housing	(38)	1,067	-	1,029
Governance	97	207	(2)	302
Business Transformation	299	2,084	-	2,383
Housing Revenue Account	(885)	453	(1,982)	(2,414)
Net Cost of Services	(1,317)	4,237	(2,049)	871
Other income & expenditure from Expenditure & Funding Analysis	(531)	-	(1,113)	(1,644)
Difference between General Fund deficit and CIES deficit on Provision of Services	(1,848)	4,237	(3,162)	(773)

Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue

contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. It also includes capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pension Adjustments

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

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

Other Differences

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

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

8. SEGMENTAL INCOME

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

Portfolios	Income from Services	
	2019/20 £000	2018/19 (Restated) £000
Leader of the Council	-	-
Deputy Leader of the Council	(5)	(4)
Economic Growth	(3,700)	(3,488)
Town Centre & Visitor Economy	(8,468)	(8,499)
Health & Wellbeing	(5,988)	(6,117)
Housing	(96)	(474)
Governance	(456)	(375)
Business Transformation	(27,705)	(31,488)
Housing Revenue Account	(38,659)	(38,656)
Total income analysed on a segmental basis	(85,077)	(89,101)

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2019/20 £000	2018/19 £000
Expenditure		
Employee expenses	22,660	18,171
Other service expenses	62,199	64,421
Support service recharges	12,014	12,513
Depreciation, amortisation & impairment	20,131	11,576
Transfers to/from reserves	729	(11)
Interest payments	7,075	6,855
Precepts	447	434
Payments to Housing Capital Receipts Pool	1,195	925
Gain/loss on disposal of fixed assets	2,389	1,517
Total Expenditure	128,839	116,401
Income		
Fees, charges & other service income	(55,054)	(55,755)
Government grants	(34,184)	(35,737)
Recharges & other income	(19,834)	(17,505)
Interest & investment income	(580)	(428)
Income from business rates	(2,814)	(4,798)
Income from council tax	(5,227)	(5,129)
Total Income	(117,693)	(119,352)
(Surplus)/Deficit on Provision of Services	11,146	(2,951)

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

Income and expenditure charged to the General Fund and which must be taken into account in determining a local authority budget requirement and therefore its council

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

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

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

2019/20	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Reversal of items debited/credited to Comprehensive Income & Expenditure Statement						-
Depreciation, impairment & revaluation losses of non-current assets	4,673	10,874				(15,547)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	77	6,514				(6,591)
Movement in market value of Investment Properties	3,545	95				(3,640)
Amortisation of intangible assets	115					(115)
Capital grants & contributions applied	(2,476)				550	1,926
Revenue expenditure funded from capital under statute	672					(672)
<u>Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement</u>						
Statutory provision for financing of capital investment	(239)					239
Capital expenditure charged against General Fund and HRA balances	(26)	(5,758)				5,784
Voluntary Repayment of Debt		(1,955)				1,955
Community Infrastructure Levy (CIL)	(488)				488	-
Transfers between Other Reserves	374		(394)			20
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,812)			3,812
Contribution from capital Receipts Reserve to finance payments to Government capital receipts pool	1,195		(1,195)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(423)	(3,815)	4,238			-
<u>Adjustments primarily involving the Major Repairs Reserve:</u>						
HRA depreciation & impairment		(9,130)		9,130		-
Excess of Major Repairs Allowance over HRA depreciation		(2,104)		2,104		-
Use of Major Repairs Reserve to finance new capital expenditure				(11,234)		11,234
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(8)					8

Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	11,489	706				(12,195)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable to pensioners in the year	(5,086)					5,086
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rate income credited to the Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	(1,107)					1,107
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which salaries charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements.	10	5				(15)
Total Adjustments	12,297	(4,568)	(1,163)	-	1,038	(7,604)

2018/19	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£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	2,729	11,346				(14,075)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,550	7,215				(8,765)
Movement in market value of Investment Properties	(2,775)	(67)				2,842
Amortisation of intangible assets	126					(126)
Capital grants & contributions applied	(1,875)				(3,464)	5,339
Revenue expenditure funded from capital under statute	1,363					(1,363)
Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement						
Statutory provision for financing of capital investment	(240)					240
Capital expenditure charged against General Fund and HRA balances	(874)	(3,324)				4,198
Voluntary Repayment of Debt		(1,985)				1,985
Community Infrastructure Levy (CIL)	(174)				174	-
Transfers Between Other Reserves	108			5	(105)	(8)

<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of Capital Receipts Reserve to finance new capital expenditure			(5,308)			5,308
Contribution from capital Receipts Reserve to finance payments to Government capital receipts pool	925		(925)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(2,132)	(5,162)	6,781			513
<u>Adjustments primarily involving the Major Repairs Reserve:</u>						
HRA depreciation & impairment		(9,133)		9,133		-
Excess of Major Repairs Allowance over HRA depreciation		(1,760)		1,760		-
Use of Major Repairs Reserve to finance new capital expenditure				(10,893)		10,893
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>						
Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(8)					8
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	8,624	453				(9,077)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable to pensioners in the year	(4,842)					4,842
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax and business rate income credited to the Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	(865)					865
<u>Adjustments primarily involving the Accumulated Absences Account:</u>						
Amount by which salaries charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements.		4				(4)
Total Adjustments	1,640	(2,413)	553	-	(3,395)	3,615

11. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance 01/04/2018 £000	Transfers In 2018/19 £000	Transfers Out 2018/19 £000	Balance 31/03/2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance 31/03/2020 £000
General Fund							
Vehicles & Plant	842	463	(608)	697	442	(477)	662
Information Technology	67	321	(170)	218	361	(176)	403
Crematorium							
Mercury Abatement	339	62	-	401	61	-	462
Capital Improvements	163	49	(5)	207	50	(23)	234
Capital Reserves	1,411	895	(783)	1,523	914	(676)	1,761
General Fund							
Invest to Save	31	-	(31)	-	-	-	-
Budget Risk Reserve	683	720	(163)	1,240	231	(126)	1,345
Service Improvement	339	34	(58)	315	34	(49)	300
Property Improvement	354	1,179	(1,308)	225	1,489	(1,243)	471
Insurance	597	-	-	597	623	(150)	1,070
Tenants Property	580	398	(301)	677	288	(174)	791
Tapton Innovation Centre	90	26	-	116	34	(29)	121
DSO/DLO Reserve	577	-	(11)	566	-	(28)	538
Planning Inquiry	236	-	(49)	187	-	(30)	157
Flood Restoration	54	-	-	54	-	(1)	53
Elections Equipment	2	-	-	2	-	-	2
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	7	-	-	7	-	-	7
Risk Management Fund	5	5	(5)	5	5	(5)	5
S106	254	25	(21)	258	292	(22)	528
Revenue Grants Unapplied	549	306	(175)	680	1,389	(318)	1,751
MMI Insurance Reserve	366	-	-	366	-	(213)	153
Barrow Hill Bridge	15	5	-	20	5	-	25
Business Rates	1,937	211	-	2,148	-	(551)	1,597
Repaid Improvement Grants	222	49	(87)	184	72	(89)	167
Northern Gateway	280	-	-	280	-	(131)	149
Theatre Restoration	367	96	(463)	-	103	-	103
Deficit Reduction	257	-	(150)	107	59	(107)	59
Digital Innovation	596	110	-	706	50	(440)	316
Service Redesign	750	-	-	750	-	(20)	730
Crematorium							
Crematorium Balance	154	103	(62)	195	57	(61)	191
Cremator Repairs	183	-	-	183	-	-	183
Crematorium Equipment	3	3	-	6	3	-	9
Organ Reserve	5	-	-	5	-	(5)	-
Revenue Reserves	9,518	3,270	(2,884)	9,904	4,734	(3,792)	10,846
Total Earmarked Reserves	10,929	4,165	(3,667)	11,427	5,648	(4,468)	12,607
General Fund Working Balance	1,500	-	-	1,500	-	-	1,500
HRA							
Housing Revenue Account Balance	27,417	1,968	(148)	29,237	5	(4,508)	24,734
Major Repairs Reserve (HRA)	-	10,893	(10,893)	-	11,234	(11,234)	-
Revenue Grants Unapplied	279	40	(179)	140	8	(104)	44
Total HRA Reserves	27,696	12,901	(11,220)	29,377	11,247	(15,846)	24,778

12. OTHER OPERATING EXPENDITURE

	2019/20 £000	2018/19 £000
Parish council precepts	448	434
Payments to Housing Capital Receipts Pool	1,195	925
(Gains)/losses on disposal of non-current assets	2,389	1,517
Other	26	33
TOTAL	4,058	2,909

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20 £000	2018/19 £000
Interest payable & similar charges	5,092	5,156
Net interest on net defined benefit liability	1,983	1,699
Interest and investment income	(580)	(428)
Income and expenditure in relation to Investment Properties	(2,716)	(2,727)
Changes in fair value of Investment Properties	3,640	(2,842)
(Gain)/loss on trading accounts	(1,603)	(840)
Transfer to/(from) Bad Debt Provisions	42	26
TOTAL	5,858	44

14. TAXATION AND NON SPECIFIC GRANT INCOMES

	2019/20 £000	2018/19 £000
Council tax income	(5,227)	(5,129)
Business Rates income and expenditure	(2,814)	(4,798)
Non-ringfenced government grants	(2,938)	(2,540)
Capital grants and contributions	(1,170)	(149)
TOTAL	(12,149)	(12,616)

15. 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	
	2019/20	2018/19
£50,000 - £54,999	6	1
£55,000 - £59,999	1	3
£60,000 - £64,999	3	-
£65,000 - £69,999	4	4
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-

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

2019/20	Salary (inc fees & allowances)	Expense Allowances	Compensation for loss of employment	Total remuneration exc pension contributions 2019/20	Pension Contributions	Total remuneration inc pension contributions 2019/20
Post Title	£	£	£	£	£	£
Chief Executive	111,033	162	-	111,195	15,749	126,944
Executive Director (a)	1,789	-	-	1,789	254	2,043
Executive Director (b)	76,169	226	-	76,395	10,816	87,211
Executive Director (c)	69,012	-	-	69,012	9,800	78,812
Director of Finance & Resources (d)	21,016	98	-	21,114	2,984	24,098
Chief Finance Officer (e)	47,286	53	-	47,339	6,715	54,054
Total	326,305	539	-	326,844	46,318	373,162

- (a) The Executive Director left on 7/4/19.
- (b) The Executive Director started on 3/6/19.
- (c) The Executive Director started on 1/7/19.
- (d) The Director of Finance & Resources left on 30/6/19.
- (e) The Chief Finance Officer started on 1/7/19.

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

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

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £000	2018/19 £000
£0 - £20,000	-	12	2	3	2	15	15	38
£20,001 - £40,000	-	-	1	2	1	2	23	70
Total	-	12	3	5	3	17	38	108

16. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

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

Transactions Relating to Post-employment Benefits

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

Transactions Relating to Retirement Benefits		
Comprehensive Income & Expenditure Statement	2019/20 £000	2018/19 £000
Cost of Services		
Service cost comprising:		
▪ Current service cost	9,110	7,408
▪ Past service costs	1,103	9
▪ (Gain)/Loss from settlements	-	(39)
Financing & Investment Income and Expenditure		
▪ Net interest expense	1,983	1,699
Total Post Employment benefit Charged to surplus/Deficit on Provision of Services	12,196	9,077
Remeasurement of net defined benefit liability comprising:		
▪ Return on plan assets (excluding amount included in net interest expense)	910	(5,237)
▪ Actuarial gains and losses arising on changes in demographic assumptions	(9,990)	-
▪ Actuarial gains and losses arising on changes in financial assumptions	(21,499)	19,636
▪ Other	4,421	24
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(13,962)	23,500

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	(12,196)	(9,077)
Actual amount charged against General fund Balance for pensions in year		
▪ Employers' contributions payable to scheme	5,086	4,842

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:

	2019/20	2018/19
	£000	£000
Present value of defined benefit obligation	246,486	263,697
Fair value of plan assets	(185,593)	(183,810)
Net liability arising from defined benefit obligations	60,893	79,887

Reconciliation of Movements in the Fair Value of Scheme Assets

	2019/20	2018/19
	£000	£000
Opening fair value of scheme assets	183,810	174,956
Interest income	4,401	4,704
Re-measurement gain/loss:		
▪ Return on plan assets, excluding amount included in net interest expense	(1,009)	5,195
Contributions from employer	5,045	4,804
Contributions from employees into the scheme	1,304	1,212
Benefits paid	(7,958)	(6,840)
Other	-	(221)
Closing balance at 31st March	185,593	183,810

Reconciliation of Present Value of Scheme Liabilities

	2019/20	2018/19
	£000	£000
Opening balance at 1st April	263,697	236,258
Current service cost	9,044	7,357
Interest cost	6,371	6,391
Contributions from scheme participants	1,304	1,212
Remeasurement gains/losses:		
▪ Actuarial gains/losses arising from changes in demographic assumptions	(9,924)	-
▪ Actuarial gains/losses arising from changes in financial assumptions	(21,354)	19,546
▪ Other	4,211	24
Past service cost	1,095	9
Benefits paid	(7,958)	(6,840)
Liabilities extinguished on settlements	-	(260)
Closing balance at 31st March	246,486	263,697

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2019/20				2018/19			
	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 & cash equivalents		11,831	11,831	6%	-	14,602	14,602	8%
Equity Securities								
▪ Consumer	5,061		5,061	3%	11,166	-	11,166	6%
▪ Manufacturing	2,894		2,894	2%	11,600	-	11,600	6%
▪ Energy & utilities	1,359		1,359	1%	8,125	-	8,125	4%
▪ Financial institutions	2,043		2,043	1%	8,951	-	8,951	5%
▪ Health & care	2,920		2,920	1%	5,824	-	5,824	3%
▪ Information technology	4,348		4,348	2%	4,391	-	4,391	2%
▪ Other	15,386		15,386	8%	19,646	-	19,646	11%
Sub-total Equity	34,011	-	34,011	18%	69,703	-	69,703	37%
Debt Securities								
▪ Corporate		23,486	23,486	13%	-	19,386	19,386	11%
▪ UK Government	18,439		18,439	10%	17,125	-	17,125	9%
▪ Other	4,644		4,644	2%	3,578	-	3,578	2%
Sub-total Debt	23,083	23,486	46,569	25%	20,703	19,386	40,089	22%
Property								
▪ UK Property		16,311	16,311	10%	-	14,662	14,662	8%
Private Equity								
▪ All	2,198	3,993	6,191	3%	2,563	2,455	5,018	3%
Investment Funds & Unit Trusts								
▪ Equities	56,928		56,928	31%	32,376	-	32,376	18%
▪ Infrastructure	3,104	10,648	13,752	7%	2,898	4,462	7,360	4%
Sub-total Investment Funds & Unit Trusts	60,032	10,648	70,680	38%	35,274	4,462	39,736	22%
Total Assets	119,324	66,269	185,593	100%	128,243	55,567	183,810	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 2019.

The actuaries' valuation report includes an assessment of the impact of the McCloud judgement relating to the 2014 reforms of LGPS benefits.

The significant assumptions used by the actuary are:

	2019/20	2018/19
Mortality Assumptions:		
Longevity at 65 for current pensioners		
▪ Men	21.6	21.9
▪ Women	23.7	24.4
Longevity at 65 for future pensioners		
▪ Men	22.6	23.9
▪ Women	25.1	26.5
Rate of inflation	1.90%	2.50%
Rate of increase in salaries	2.60%	3.00%
Rate of increase in pensions	2.60%	3.00%
Rate for discounting scheme liabilities	2.30%	2.40%
Take up of option to convert annual pension into retirement lump sum - pre April 2008 service	50%	50%
Take up of option to convert annual pension into retirement lump sum - post April 2008 service	75%	75%

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

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

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

Impact on the Defined benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	22,457
0.5% increase in Salary Increase Rate	1%	2,517
0.5% increase in Pension Increase Rate	8%	19,719

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are reviewed as part of the triennial valuation process. The next triennial valuation is due to be completed as at 31st March 2022.

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 2020/21 is £5.046m.

The weighted average duration has not been provided by Hymans Robertson in 2019/20 (17.1 years in 2018/19).

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

17. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

	2019/20 £000	2018/19 £000
Special Responsibility & Other Allowances	136	146
Basic Responsibility Allowances	288	286
Member expenses	4	3
TOTAL	428	435

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

18. **GRANT INCOME**

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20.

	2019/20 £000	2018/19 £000
Credited to Taxation & Non Specific Grant Income		
Revenue Support Grant	434	-
New Homes Bonus Grant	313	462
Derbyshire County Council	1,050	-
D2N2 LEP	82	-
Ministry for Housing, Communities & Local Government:-		
▪ Business Rate Relief	2,131	2,079
▪ Covid19	59	-
Other	38	149
TOTAL	4,107	2,690

Credited to Services:		
Capital		
Sheffield City Region	82	379
Derbyshire Better Care Fund	1,209	1,245
Environment Agency	15	98
Other	-	3
Revenue		
Dept for Work & Pensions- Housing Benefits	26,537	30,304
Ministry for Housing, Communities & Local Government	322	360
National Lottery Heritage	-	51
Other Government Grants	36	112
Derbyshire County Council:		
- Supporting People	303	296
- Highways Agency	130	130
- Other	19	18
Other Local Authorities	41	27
S106 Contributions	31	31
TOTAL	28,725	33,054

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:

	2019/20 £000	2018/19 £000
Capital Grants Receipts in Advance		
Environment Agency	-	16
Derbyshire County Council	3	3
S106 Contributions	125	123
Other	14	11
TOTAL	142	153

19. EXTERNAL AUDIT COSTS

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

	2019/20 £000	2018/19 £000
Fees payable to the auditors with regard to external audit services carried out by the appointed auditor	40	40
Fees payable to the auditor for certification of grant claims and returns	7	7
Fees payable in respect of any other services provided by the appointed auditor	4	4
Total	51	51

20. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

<u>Movements in 2019/20</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Gross Book Value</u>								
Brought forward 1 April	341,235	72,592	3,196	6,061	4,072	902	11,489	439,547
Additions	16,764	861	656			522	7,061	25,864
Revals - Revaluation Reserve	(5,607)	(1,243)						(6,850)
Revals - surplus/deficit on provision of services	(1,705)	(2,662)						(4,367)
Derecognition - disposals	(6,870)	(77)	(11)					(6,958)
Derecognition - other								-
Impairment losses reversed in s/d on provision of services								-
Other movements	1,123	9,361					(10,497)	(13)
GBV at 31 March 20	344,940	78,832	3,841	6,061	4,072	1,424	8,053	447,223
<u>Accumulated Depreciation & Impairment</u>								
Brought forward 1 April	-	(4,675)	(2,523)	(3,627)	-	(7)	-	(10,832)
Additions - depreciation	(9,027)	(2,028)	(153)	(241)		(6)		(11,455)
Additions - impairment								-
Revals - Revaluation Reserve	8,658	1,414						10,072
Revals - surplus/deficit on provision of services								-
Derecognition - disposals	356		11					367
Derecognition - other								-
Impairment losses reversed in s/d on provision of services								-
Other movements	13							13
Depreciation & Impairment at 31 March 20	-	(5,289)	(2,665)	(3,868)	-	(13)	-	(11,835)
Net Book Value B/fwd	341,235	67,917	673	2,434	4,072	895	11,489	428,715
Net Book Value at 31 March 20	344,940	73,543	1,176	2,193	4,072	1,411	8,053	435,388

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

Depreciation

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

Council Dwellings:	9 – 40 years
Other Land & Buildings:	2 – 80 years
Vehicles, Plant, Furniture & Equipment:	3 – 10 years
Infrastructure	20 – 40 years

21. SURPLUS ASSETS

Fair Value Hierarchy

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

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 20 £000
Community Rooms	86	-	86
Former Sports Centre	-	12	12
Land	-	1,313	1,313
Total 2019/20	86	1,325	1,411

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 19 £000
Community Rooms	92	-	92
Former Sports Centre	-	12	12
Land	-	791	791
Total 2018/19	92	803	895

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

These valuations are historic based on existing use values and/or based on unobservable inputs. These assets will be revalued in 2020/21 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 2020 £000	31st March 2019 £000
Opening balance	803	1,747
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in surplus/deficit on Provision of Services resulting from changes in fair value	-	(944)
Additions	522	-
Revaluations	-	-
Disposals	-	-
Closing Balance	1,325	803

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

	31st March 2020 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Former Sports Centre	12	Depreciated Replacement Cost	Future Use	Planning Restrictions
Land	1,313	Market Value	Future Use	Planning Restrictions Site issues - redevelopment

22. 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/Fwd at 1st April 2019 £000	Additions £000	Disposals £000	Revaluations £000	Other Changes £000	Balance C/Fwd at 31 March 2020 £000
Rosewall Sculpture	950					950
Historic Sites & Buildings	318					318
Museum Collection	265					265
Civic Plate, Paintings & Porcelain	245					245
Mayoral Regalia	439					439
Assets Carried at Valuation	2,217	-	-	-	-	2,217
Barrow Hill Railway HC	344					344
War Memorials etc	38					38
Museum Collection	-					-
Percent for Art Sculptures	303					303
Assets Carried at Cost	685	-	-	-	-	685
TOTAL HERITAGE ASSETS	2,902	-	-	-	-	2,902

Assets not included in the Balance Sheet

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

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

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

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

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

Except for recent acquisitions, reliable information on cost is not available. In general, conventional valuation approaches would not be suitable owing to the sheer number and diversity of items, coupled with the unique and irreplaceable nature of many of the objects concerned. The collection is insured for £3.3m but this is regarded as a nominal and fairly arbitrary figure and therefore only those existing assets with a readily ascertainable market value have been recognised on the balance sheet.

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.

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.

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 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. It was acquired in 2008/09 and was valued immediately prior to purchase by Hazlett, Holland-Hibbert, a firm of specialist dealers in modern art at market value. Due to the cost involved, further appraisals will be infrequent. It is located adjacent to the public footbridge from the town centre into Queens Park in the centre of Chesterfield.

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. They were valued in 2015 and are recognised on the balance sheet at valuation. Due to the costs involved, further appraisals will be infrequent.

Museum Collection

A part of the collection is exhibited in the museum which is open four days a week and admission is free. Those items with a reasonably ascertainable value are recognised on the balance sheet at valuation. 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 acquired in future will be measured at historic cost.

23. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2021/22 amounting to approximately £75m of which approximately £11.6m was contractually committed at 31st March 2020.

	Approved Expenditure £000	Committed £000
Council Housing	49,959	4,298
Economic Development	17,789	4,968
Renovation Grants	3,561	313
Leisure	117	-
Planning & Property	85	-
Other Schemes	3,301	1,997
	74,812	11,576

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.

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement (CFR) 1st April	145,264	147,486
<u>Capital Investment</u>		
Property, Plant & Equipment	25,864	24,374
Investment Properties	-	-
Intangible Assets	25	-
Heritage Assets	-	-
Revenue Expenditure Funded from Capital under Statute	671	1,363
<u>Financed by</u>		
Capital Receipts	(3,812)	(5,308)
Capital Grants & Contributions	(1,925)	(5,339)
Revenue Balances & Direct Revenue Financing	(17,041)	(15,090)
Minimum/Voluntary Revenue Provision	(2,197)	(2,222)
Use of Capital Receipts to Repay Debt		-
Closing Capital Financing Requirement 31st March	146,849	145,264
Increase/(Decrease) in CFR	1,585	(2,222)
<u>Analysis of Increase/(Decrease) in CFR</u>		
Supported by Government Financial Assistance	-	-
Unsupported by Government Financial Assistance	1,585	(2,222)
Increase/(Decrease) in CFR	1,585	(2,222)

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.

	2019/20 £000	2018/19 £000
Rental income from investment property	(4,193)	(4,246)
Direct operating expenses arising from investment property	1,477	1,519
Net (gain)/loss	(2,716)	(2,727)

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:

	2019/20 £000	2018/19 £000
Balance at start of year	40,147	46,182
Additions:		
Subsequent expenditure	-	-
Disposals	-	(1,086)
Net gains/losses from fair value adjustments	(3,349)	2,842
Other changes	-	(7,791)
Balance at end of year	36,798	40,147

Fair Value Hierarchy

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

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 20 £000
Industrial Units & Trading Estates	24,093		24,093
Retail & Office	10,865		10,865
Undeveloped Land	375	489	864
Miscellaneous	786	190	976
Total 2019/20	36,119	679	36,798

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 19 £000
Industrial Units & Trading Estates	23,606		23,606
Retail & Office	14,741		14,741
Undeveloped Land	375	480	855
Miscellaneous	780	165	945
Total 2018/19	39,502	645	40,147

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 2020 £000	31st March 2019 £000
Opening Balance	645	638
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	34	7
Additions	-	-
Revaluations	-	-
Disposals	-	-
Closing Balance	679	645

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

	31st March 2020 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Undeveloped Land	489	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	190	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. Further information on the impact of Covid-19 on the valuation process is included at Note 4.

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 2020 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 HRA note 4).

The statement below shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by Kier. Where the valuations have not been updated in recent years the authority has assessed that there has been no material change in value. The basis of the valuations is set out in Note 1.14 of the Summary of Significant Accounting Policies.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		466	3,841	6,061	4,072		8,053	22,493
<u>Valued at current value</u>								
2019/20	344,940	18,236				522		363,698
2018/19		10,388				863		11,251
2017/18		11,166						11,166
2016/17		30,026				39		30,065
2015/16		8,548						8,548
Total Gross Book Value	344,940	78,830	3,841	6,061	4,072	1,424	8,053	447,221

Further information on the impact of Covid-19 on the valuation process is included at Note 4.

27. DEPRECIATION

The treatment of depreciation is described in Note 1.15 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 2019/20.

29. LEASES

Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

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

	31st March	
	2020 £000	2019 £000
Not later than 1 year	594	718
Later than 1 year and not later than 5 years	1,741	2,375
Later than 5 years	2	9
Total	2,337	3,102

There were no future minimum sublease payments expected to be received under non-cancellable subleases at 31st March, 2020 or 31st March, 2019.

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

	31st March	
	2020 £000	2019 £000
Minimum lease payments	802	670
Contingent rents	8	8
Total	810	678

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	
	2020 £000	2019 £000
Not later than 1 year	2,153	2,109
Later than 1 year and not later than 5 years	4,075	3,878
Later than 5 years	3,438	3,396
Total	9,666	9,383

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 2019/20, £194,519 contingent rents were receivable by the Authority (2018/19 £210,720).

30. DEBTORS

	31st March	
	2020 £000	2019 £000
Central Government	1,621	2,207
Other Local Authorities	1,710	2,216
Other Entities & Individuals	7,037	5,993
Total	10,368	10,416

31. CASH & CASH EQUIVALENTS

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

	31st March	
	2020 £000	2019 £000
Cash held	13	16
Bank current accounts	(1,563)	(498)
Short term deposits with banks & other financial institutions	14,129	20,467
Total	12,579	19,985

32. ASSETS HELD FOR SALE

	Current		Non-Current	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
<u>Investment Property Held for Sale</u>				
Balance brought forward at 1 April	7,791	-	-	
Revaluations	(291)	-		
Assets newly classified as held for sale	-	7,791		
Assets declassified as held for sale				
Assets sold				
Balance carried forward at 31 March	7,500	7,791	-	-
<u>Other Assets Held for Sale</u>				
Balance brought forward at 1 April	-		-	
Assets newly classified as held for sale				
Assets declassified as held for sale				
Assets sold				
Balance carried forward at 31 March	-	-	-	-
<u>Net Sale Proceeds</u>				
Investment Property Held for Sale				
Other Assets Held for Sale				

33. CREDITORS

	31st March	
	2020 £000	2019 £000
Central Government	6,727	902
Other Local Authorities	2,806	3,615
Public Works Loan Board	-	3,857
Other Entities & Individuals	7,326	9,405
Total	16,859	17,779

34. PROVISIONS

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

	Balance b/fwd 01/04/19 £000	Movements in year		Balance c/fwd 31/03/20 £000
		Additions £000	Applied £000	
Short Term Provisions				
Non Domestic Rate Appeals	826	9	(165)	670
DLO Provision	602	589	(402)	789
Redundancy Provision	55	-	(55)	-
Total - Short Term Provisions	1,483	598	(622)	1,459
Long Term Provisions				
Non Domestic Rate Appeals	1,538	487	(254)	1,771
Transport Employee Pensions	1,025	67	(51)	1,041
Insurance Provision	807	260	(557)	510
MMI Provision	16	-	(10)	6
Other	7	-	-	7
Total - Long Term Provisions	3,393	814	(872)	3,335

D.L.O. Provision

Provision for potential future remedial works and losses.

Redundancy Provision

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

Transport Employee Pensions

The provision is being built up in order to meet the Council's liability in respect of pensions of former Transport Undertaking employees who were transferred to the private sector on privatisation. An independent actuarial review of this fund takes place every three years. The fund was reviewed in March 2020 and will be increased over the next 3 years in line with review recommendations.

Insurance Provision

All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2019 which suggested that the fund balance was adequate. The next review will take place during 2022/23.

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 2020 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.

35. FINANCIAL INSTRUMENTS BALANCES

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

Financial Assets	Long Term				Current			
	Investments		Debtors		Investments		Debtors	
	31st March				31st March			
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Fair value through profit or loss		-		-	14,129	19,467		-
Amortised cost	168	150		-	28,162	28,628	6,806	6,064
Total financial assets	168	150	-	-	42,291	48,095	6,806	6,064
Non-financial assets		-		-		-	3,562	4,352
Total	168	150	-	-	42,291	48,095	10,368	10,416

Financial Liabilities	Long Term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31st March				31st March			
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Fair value through profit or loss		-		-		-		-
Amortised cost	125,380	127,348		-	3,534	2,498	8,763	14,288
Total financial assets	125,380	127,348	-	-	3,534	2,498	8,763	14,288
Non-financial assets		-		-		-	8,097	3,491
Total	125,380	127,348	-	-	3,534	2,498	16,860	17,779

36. 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:

	2019/20		2018/19	
	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	(125)	-	(98)	-
Financial assets measured at amortised cost				
Total net gains/losses	(125)	-	(98)	-
Interest revenue				
Financial assets measured at amortised cost	(305)		(284)	-
Financial assets measured at fair value through other comprehensive income	-	-	(36)	-
Total interest revenue	(430)	-	(418)	-
Total interest expense	4,947	-	5,035	-

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table below, including the valuation techniques used to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/03/20 £000	Value as at 31/03/19 £000
Fair Value through Profit or Loss				
UK Gilt	Level 1	Unadjusted quoted prices in active markets	-	-
Money Market Funds	Level 1	Unadjusted quoted prices in active markets	14,129	19,467
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets	-	-
Total			14,129	19,467

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

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

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

Financial Liabilities	31st March 2020		31st March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	128,914	158,155	129,846	158,342

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

Financial Assets	31st March 2020		31st March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables held at amortised cost	28,329	28,329	28,778	28,778

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

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

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

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 20 £000
Financial Liabilities			
PWLB Loans	-	156,585	156,585
Total 2019/20	-	156,585	156,585

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 19 £000
Financial Liabilities			
PWLB Loans	-	157,836	157,836
Total 2018/19	-	157,836	157,836

For the remaining £1.6m 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.

38. NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority may not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

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

Credit Risk

Credit risk arises from deposits placed with financial institutions, which include fixed interest securities traded in an active market, as well as credit exposures to the authority's customers. The risk is minimised through the adoption of the Annual Investment Strategy published annually on our website.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury

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

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

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating at 31st March 2020:

Credit Rating	Gross Carrying Amount £000
AAA	14,129
AA	0
AA-	0
A+	0
Unrated Local Authorities	28,000

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. At 31st March there were no loss allowances related to treasury investments (2019 £2,768).

The authority does not generally allow credit for customers, such that £2.149m (£1.494m in 2018/19) of the £3.753m (£2.422m in 2018/19) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2020 £000	31st March 2019 £000
Less than three months	628	331
Three to six months	175	103
Six months to one year	361	327
More than one year	985	733
Total	2,149	1,494

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB) so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its

borrowings at a time of unfavourable interest rates. The risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 5% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities is as follows:

Maturing within	31st March 2020 £000	31st March 2019 £000
1 year	3,534	2,498
1 to 2 years	1,891	1,919
2 to 5 years	8,501	7,910
5 to 10 years	13,793	13,424
10 to 15 years	20,995	18,895
15 to 20 years	24,400	24,600
20 to 25 years	20,000	21,400
25 to 30 years	17,000	17,000
30 to 35 years	10,400	12,600
35 to 40 years	6,000	6,000
40 to 45 years	2,400	3,600
45 to 50 years	-	-
Total	128,914	129,846

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

Market Risk

Interest Rate Risk

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

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

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

The authority has a number of strategies for managing interest rate risk. For 2019/20, the upper limit for exposure to variable rate debt was set at £60m (£60m in 2018/19).

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

At 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2019/20 £000
Increase in interest receivable on variable rate investments	(17)
Decrease in fair value of investments held at FVPL	-
Impact on other Comprehensive Income & Expenditure	(17)
Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure)	19,930
Decrease in fair value of loans and investments at amortised cost (no impact on Comprehensive Income & Expenditure)	56

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

Price Risk

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

Foreign Exchange Risk

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

39. USABLE RESERVES

	31st March	
	2020 £000	2019 £000
Earmarked Reserves - Capital	1,761	1,523
Earmarked Reserves - Revenue	10,846	9,904
Total Earmarked Reserves (GF)	12,607	11,427
General Fund (GF) Working Balance	1,500	1,500
HRA Working Balance	24,734	29,237
Earmarked Reserves - HRA	44	140
Usable Capital Receipts Reserve	4,093	5,255
Capital Grants Unapplied	4,255	3,217
Total Usable Reserves	47,233	50,776

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. A detailed breakdown of the Council's earmarked reserves is provided in Note 11. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

<u>Usable Capital Receipts Reserve</u>	2019/20 £000	2018/19 £000
Brought forward 1 April	5,255	4,703
Additions	4,244	6,785
Capital Receipts Pooled	(925)	(925)
Capital Receipts returned to Government	(270)	-
Capital Receipts used for financing	(4,211)	(5,308)
Carried forward 31 March	4,093	5,255

Capital Grants Unapplied	2019/20 £000	2018/19 £000
Brought forward 1 April	3,217	6,612
Additions	2,173	569
Transfers (to)/from revenue	-	(138)
Financing of capital expenditure	(1,135)	(3,826)
Carried forward 31 March	4,255	3,217

40. **UNUSABLE RESERVES**

	31st March	
	2020 £000	2019 £000
Revaluation Reserve	30,936	29,667
Capital Adjustment Account	306,081	305,991
Financial Instruments Adjustment Account	(16)	(24)
Pensions Reserve	(61,373)	(80,422)
Deferred Capital Receipts Reserve	674	680
Collection Fund Adjustment Account	462	(645)
Accumulated Absences Account	(313)	(299)
Total Unusable Reserves	276,451	254,948

41. **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.

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	29,667	27,188
Revaluation gains	3,421	4,804
Revaluation & impairment losses	(473)	(569)
Amounts t/f to Cap Adj Account (Depreciation)	(1,568)	(1,452)
Amounts t/f to Cap Adj Account (Disposals)	(111)	(304)
Balance carried forward 31st March	30,936	29,667

42. 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.

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	305,991	297,762
<u>Reversal of items recognised in the Comprehensive Income & Expenditure Statement</u>		
Property, Plant & Equipment: depreciation charges	(11,454)	(11,341)
Property, Plant & Equipment: net revaluation gains/(losses)	(4,189)	(2,666)
Intangible Assets: amortisation charges	(114)	(126)
Revenue expenditure funded from capital under statute	(671)	(1,363)
Disposal/derecognition of non-current assets	(6,591)	(8,765)
Gain/(loss) in fair value of investment properties	(3,545)	2,775
<u>Amounts transferred from the Revaluation Reserve</u>		
Depreciation adjustment	1,568	1,452
Disposal/derecognition adjustment	111	304
<u>Capital financing provisions</u>		
Application of usable capital receipts	3,812	5,308
Application of major repairs reserve	11,234	10,893
Application of revenue balances and direct revenue financing	5,807	4,197
Capital grants/contributions recognised in revenue during the period	1,925	5,332
Application of capital grants unapplied	-	7
Minimum revenue provision	2,197	2,222
Balance carried forward 31st March	306,081	305,991

43. PENSIONS RESERVE

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

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	(80,422)	(61,763)
Actual gains or losses on pensions assets and liabilities	26,158	(14,423)
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	(12,195)	(9,077)
Employers pension contributions	5,086	4,841
Balance carried forward 31st March	(61,373)	(80,422)

44. **DEFERRED CAPITAL RECEIPTS RESERVE**

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

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

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	680	171
Additions	-	513
Transfer to Capital Receipts Reserve on receipt of cash	(6)	(4)
Balance carried forward 31st March	674	680

45. **COLLECTION FUND ADJUSTMENT ACCOUNT**

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

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	(645)	(1,511)
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	1,107	866
Balance carried forward 31st March	462	(645)

46. ACCUMULATED ABSENCES ACCOUNT

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

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	299	295
Settlement or cancellation of accrual made at end of preceeding year	(299)	(295)
Amounts accrued at end of current year	313	299
Balance carried forward 31st March	313	299

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

	2019/20 £000	2018/19 £000
Depreciation/Impairment	(15,757)	(14,134)
Movement in Fair Value of Investments	-	(10)
(Increase)/decrease in Creditors	2,304	798
Increase/(decrease) in Debtors	1,454	3,247
Increase/(decrease) in Stock	12	15
Movement in Pension Liability	(7,110)	(4,235)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,591)	(8,765)
Movement in Investment Property value	(3,545)	2,775
Other non-cash items charged to net surplus/deficit on provision of services	82	(1,370)
Total	(29,151)	(21,679)

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

	2019/20 £000	2018/19 £000
Proceeds from sale of PPE, investment properties & intangible assets	4,239	7,294
Capital grants	2,969	2,082
Total	7,208	9,376

49. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2019/20 £000	2018/19 £000
Interest received	(363)	(390)
Interest paid	4,907	5,040
Dividends Received	(20)	-

50. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2019/20 £000	2018/19 £000
Purchase of non-current assets	26,372	22,117
Purchase of short term and long term investments	28,000	27,500
Other payments for investing activities	87	96
Proceeds from sale of non-current assets	(4,244)	(7,299)
Proceeds from short term and long term investments	(27,500)	(21,475)
Other receipts from investing activities	(3,031)	(1,636)
Net cash flows from investing activities	19,684	19,303

51. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2019/20 £000	2018/19 £000
Repayments of short and long term borrowing	1,995	2,217
Other payments for financing activities	(3,476)	(130)
Net cash flows from financing activities	(1,481)	2,087

52. RELATED PARTY TRANSACTIONS

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

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

Central Government

The UK Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in Note 18 on grant income.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2019/20 is shown in Note 17. In addition, the Council paid grants totalling £243,544 to voluntary organisations in which 10 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

During 2019/20, work to the value of £29,618 was commissioned from a company in which a member of the immediate family of a council member had an interest. Contracts were entered into in full compliance with the council's standing orders.

Subsidiary and Associated Companies

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

Other Arrangements

The Authority is a non-constituent Council in the Sheffield City Region Combined Authority which came into being on 1st April 2014. It consists of 9 local authorities who are working together to promote strategic economic development. It was also until 31st March 2020, a partner in the Sheffield City Region Local Enterprise Partnership which has similar objectives.

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

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

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

53. 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
2019/20	55%	31%	14%
2018/19	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

2018/19 Net Expenditure £000		2019/20		
		Expenditure £000	Income £000	Net Expenditure £000
(46)	Health & Wellbeing	925	(917)	8
(46)	Net Cost of Service	925	(917)	8

Balance Sheet

2018/19 £000		2019/20 £000
	<u>Long Term Assets</u>	
1,158	Other Land & Buildings	1,108
15	Vehicles, Plant, Furniture & Equipment	25
36	Investment Properties	36
	<u>Current Assets</u>	
1	Stock	2
115	Debtors	201
1,010	Cash	1,038
	<u>Current Liabilities</u>	
(142)	Creditors	(175)
	<u>Long Term Liabilities</u>	
984	Pension Scheme Assets	1,115
(1,519)	Pension Scheme Liabilities	(1,595)
1,658	Net Assets	1,755
231	Revaluation Reserve	231
965	Capital Adjustment Account	924
(535)	Pensions Reserve	(480)
802	Earmarked Reserves	889
195	Balances - Revenue Surplus	191
1,658	Total Reserves	1,755

54. THE ARVATO PARTNERSHIP

This is the final year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, payroll, facilities maintenance, asset management and invoice processing together with call centre and reception services.

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

As part of the agreement, the contractor undertook to make and fund improvements to the Revenues Hall in Chesterfield to create a customer service centre, at no cost to

the Council. These works were completed during 2012/13. The Revenues Hall will be returned to the Authority for no consideration at the end of the 10 year contract. The improvements have increased the value of the Revenues Hall and the resulting enhancement has been recognised on the Council's balance sheet.

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31st March 2020 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2020/21	3,247
Total	3,247

55. CONTINGENT LIABILITIES

NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31st March 2020. Further appeals against valuations on the 2017 valuation list may be received in future years. The value of the liability cannot be estimated for unknown claims which have not yet been received.

Municipal Mutual Insurance

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

56. EVENTS AFTER THE BALANCE SHEET DATE

Local authorities responded swiftly to the Covid19 outbreak and continue to deliver support for residents and businesses throughout the pandemic.

The additional costs of our continuing response to the pandemic during the lockdown and recovery phases, together with the significant loss of income and slippage in the delivery of our savings action plan will have an impact on the General Fund budget for 2020/21 and beyond. A review of our current financial position and an action plan to address the consequent deficit is underway.

Further details of the Council's response and its impact are provided in the narrative report.

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	2019/20 £000	2018/19 £000
<u>Income:</u>			
Dwellings Rents	1	35,457	35,514
Charges for Services and Facilities		422	409
Non-Dwelling Rents		796	789
Contribution towards Expenditure		524	493
Total Income		37,199	37,205
<u>Expenditure:</u>			
Supervision & Management: General		6,692	5,978
Special		2,151	2,317
Rents, Rates, Taxes & Other Charges		401	280
Repairs and Maintenance		9,436	8,321
Depreciation & Impairment of non-current assets	7 & 8	10,874	11,346
Debt Management Costs		37	45
REFCUS		-	-
Movement in the allowance for bad debts		227	(1,874)
Total Expenditure		29,818	26,413
Net Expenditure/ (Income) of Services as included in the Comprehensive Income & Expenditure Statement		(7,381)	(10,792)
HRA share of Corporate & Democratic Core		41	39
Net Expenditure/ (Income) for HRA Services HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure		(7,340)	(10,753)
(Gain)/Loss on Disposal of HRA non-current assets		2,699	2,053
HRA share of interest payable & similar charges		4,790	4,860
Interest & Investment Income		(145)	(121)
Change in Market Value of Investment Properties		95	(67)
Income & Expenditure re Investment Properties		(66)	(66)
(Surplus)/Deficit on HRA Services		33	(4,094)

Movement on the HRA Statement	2019/20 £000	2018/19 £000
Balance on HRA at end of previous year	(29,237)	(27,417)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	33	(4,094)
Adjustments between accounting basis and funding basis under statute (note 9)	4,568	2,413
Net (Increase)/Decrease before transfers to or from reserves	4,601	(1,681)
Transfers to/(from) reserves	(98)	(139)
(Increase)/decrease in year on HRA	4,503	(1,820)
Balance on HRA at end of current year	(24,734)	(29,237)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,008 dwellings available for rent during 2019/20. 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, £683,514 (1.93%) of rental income was lost due to vacant properties, in 2018/19 the figure was £537,158 (1.51%). The average weekly rent in 2019/20 was £75.83 (52 week year), a decrease of £0.60 (0.79%) on the previous year.

2. HOUSING STOCK

The Council's housing stock at 31st March, 2020 was as follows:

	31-Mar-20	31-Mar-19
Houses	4,472	4,531
Flats & maisonettes	3,103	3,124
Bungalows	1,393	1,392
Others	40	42
Total	9,008	9,089

The number of properties sold under the 'Right to Buy' legislation in 2019/20 was 76 (100 in 2018/19).

3. RENT ARREARS

Rent arrears at the year-end totalled £1,821,633. This compares with £1,573,067 at 31st March, 2019. A provision of £652,506 (£569,828 in 2018/19) 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 2020 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 2020 excludes depreciation and disposals over the period.

Balance Sheet Valuations of HRA Assets		
	As at 31st March 2020 £000	As at 31st March 2019 £000
Council Dwellings	344,940	341,235
Other Land & Buildings	3,544	3,808
Vehicles, Plant, Furniture & Equipment	170	6
Assets Under Construction	5,827	3,855
Surplus Assets Not Held for Sale	791	791
Investment Property	1,109	1,107
Investment Property Held for Sale	2,500	2,597
Total	358,881	353,399

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, 2019 was £818m (£809m 1st April 2018). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the OMV of the stock to EUV-SH for inclusion in the balance sheet was increased from 34% to 42% with effect from 1st April, 2016.

5. HRA CAPITAL EXPENDITURE & FINANCING

Capital Expenditure		Capital Financing	
	£000		£000
Council Dwellings	16,764	Borrowing	-
Assets Under Construction	3,108	Capital Receipts Reserve	3,026
Vehicles, Plant, Machinery & Equipment	165	Major Repairs Reserve	11,234
REFCUS	-	Grants & Contributions	19
		Revenue Balances & Direct Revenue Financing	5,758
Total	20,037		20,037

6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2019/20 £000	2018/19 £000
Council Dwellings	3,815	5,057
Other Land & Property	-	105
Total	3,815	5,162

7. DEPRECIATION

HRA Depreciation	2019/20 £000	2018/19 £000
Council Dwellings	9,027	9,024
Other Land & Property	102	107
Vehicles, Plant, Furniture and Equipment	1	2
Total	9,130	9,133

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	2019/20 £000	2018/19 £000
Council Dwellings	1,744	1,322
Other Land & Buildings	-	-
Surplus Assets Not Held for Sale	-	891
Revaluation and Impairment Losses	1,744	2,213
REFCUS - Social Mobility Scheme	-	-
Movements in the fair value of investment property	95	(67)
Total	1,839	2,146

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	2019/20 £000	2018/19 £000
Net gain/(loss) on sale of HRA non-current assets	(2,699)	(2,053)
HRA share of contributions to or from the Pensions Reserve	(706)	(453)
Capital expenditure funded by the HRA	5,758	3,324
Transfer to/(from) Major Repairs Reserve	2,104	1,760
Movement in Market Value of Investment Properties (note 8)	(95)	67
Transfer to/(from) Capital Adjustment Account (note 8)	(1,744)	(2,213)
Voluntary Repayment of Debt	1,955	1,985
Short Term Accumulated Absences	(5)	(4)
Total Adjustments	4,568	2,413

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.

2018/19		2019/20		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
	Income			
(49,528)	Council Tax (Note 1)		(52,524)	(52,524)
(38,781)	Business Rates (Note 2)	(38,889)		(38,889)
(88,309)		(38,889)	(52,524)	(91,413)
	Expenditure			
	Apportionment of Previous Year Surplus/(Deficit)			
(360)	Central Government	(1,590)		(1,590)
(234)	Chesterfield Borough Council	(976)	(3)	(979)
324	Derbyshire County Council	4	(20)	(16)
16	Derbyshire Fire Authority	(26)	(1)	(27)
	Derbyshire Police & Crime			
58	Commissioner		(3)	(3)
(196)		(2,588)	(27)	(2,615)
	Precepts, Demands & Shares			
	- Central Government	18,238		18,238
23,148	Chesterfield Borough Council	14,591	5,230	19,821
54,350	Derbyshire County Council	3,283	38,364	41,647
2,512	Derbyshire Fire Authority	365	2,210	2,575
	Derbyshire Police & Crime			
5,541	Commissioner		6,282	6,282
85,551		36,477	52,086	88,563
	Charges to Collection Fund			
163	Transitional Protection Payments	233		233
(863)	Increase/(Decrease) in bad debts provision (Note 5)	319	461	780
1,276	Increase/(Decrease) in provision for appeals (Note 6)	1,374		1,374
164	Cost of Collection Allowance	164		164
(2,214)	(Surplus)/Deficit arising during year	(2,910)	(4)	(2,914)
3,422	(Surplus)/Deficit Brought Forward	2,106	(898)	1,208
1,208	(Surplus)/Deficit as at 31st March (Note 3 & 4)	(804)	(902)	(1,706)

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	35	5/9	19
A	17,125	6/9	11,417
B	8,377	7/9	6,515
C	5,399	8/9	4,799
D	3,425	9/9	3,425
E	1,765	11/9	2,157
F	525	13/9	758
G	199	15/9	332
H	10	18/9	20
Totals	36,860		29,442
Less adjustment for collection rate			-442
Council Tax Base			29,000

The basic amount of Council Tax for a Band D property was £1,780.59 (£1,699.35 2018/19).

2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (50.4p in 2019/20 and 49.3p in 2018/19) 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 49.1p for 2019/20 (48.0p in 2018/19).

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 2020 was £102,791,861 (£99,692,046 at 31st March 2019).

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 estimated redistributed growth for 2019/20 was £328,000.

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 £940,939 was assumed when setting the Council Tax for 2020/21. The reduced outturn position of £39,213 will be accounted for in the tax calculation for 2021/22.

ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH		
	2020 £000	2019 £000
Derbyshire County Council	664	661
Derbyshire Police & Crime Commissioner	109	109
Derbyshire Fire Authority	38	38
Chesterfield Borough Council	91	90
Council Tax (Deficit)/Surplus	902	898

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 2021/22 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 surplus of £977,155 was assumed in the calculation of business rate income in 2020/21. The reduction in surplus of £172,517 will be distributed in the income calculation for 2021/22.

ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH		
	2020 £000	2019 £000
Central Government	156	-
Derbyshire County Council	269	240
Derbyshire Police & Crime Commissioner	-	(21)
Derbyshire Fire Authority	8	(1,590)
Chesterfield Borough Council	371	(735)
Business Rates (Deficit)/Surplus	804	(2,106)

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

5. IMPAIRMENT OF DEBTS – WRITE OFFS & ALLOWANCES

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

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

The movements on the impairment provisions are shown below:

COLLECTION FUND - IMPAIRMENT ALLOWANCE				
Tax	Brought forward £000	Write-offs in the year £000	Increase / (Decrease) in allowance £000	Carried Forward £000
Business Rates	426	(293)	319	452
Council Tax	1,301	(311)	462	1,452
Total	1,727	(604)	781	1,904

6. PROVISION FOR APPEALS – BUSINESS RATES

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

The movement on the appeals provision is shown below:

COLLECTION FUND - APPEALS PROVISION			
Brought Forward	Applied in year	Contribution to provision in year	Carried Forward
£000	£000	£000	£000
4,730	(634)	2,008	6,104

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 £447,510 parish precepts (Staveley £396,936 and Brimington £50,574).

AUDITORS REPORT (Covering pages 27 – 113)

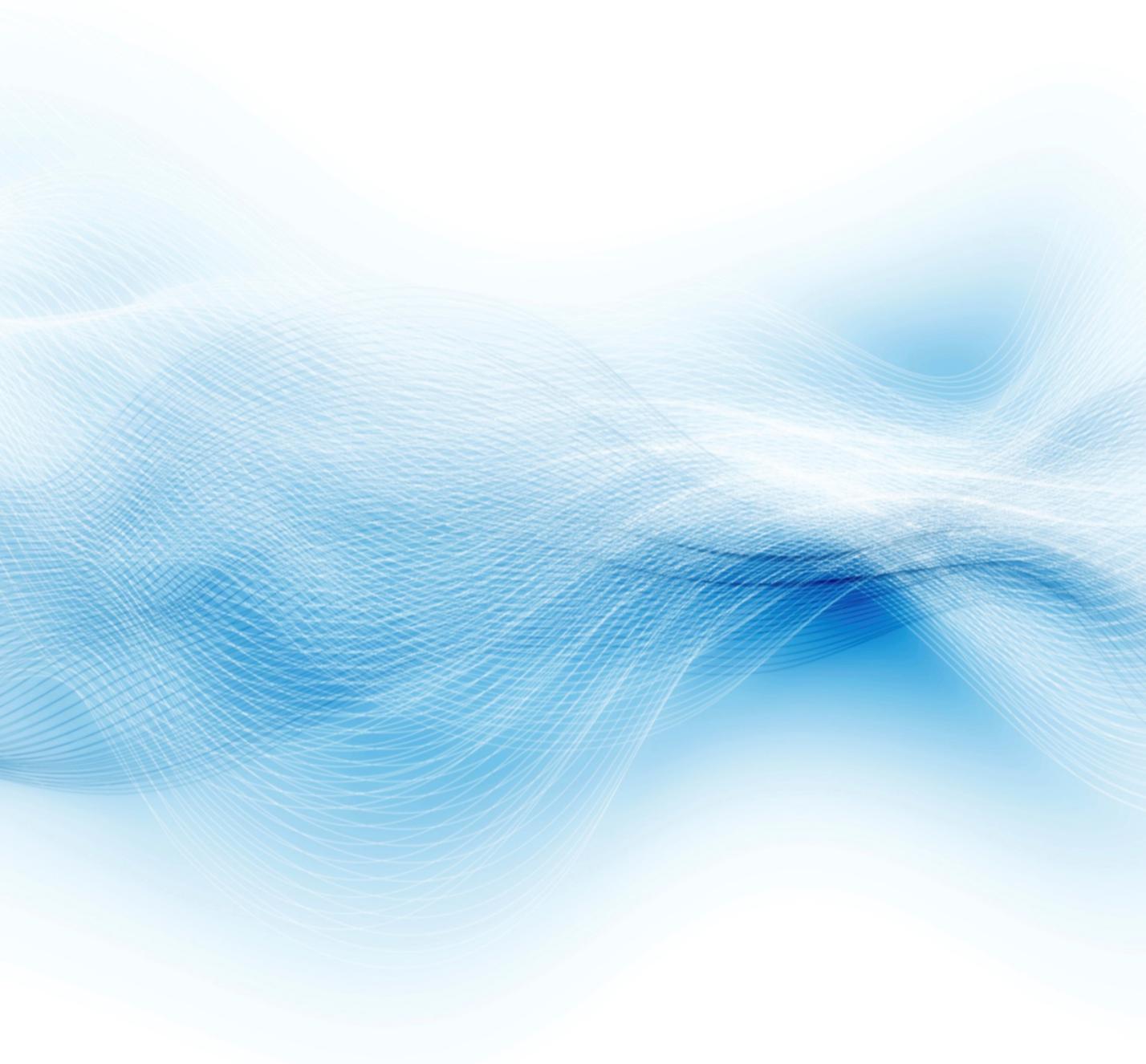
Expected by 30th September 2020



Audit Completion Report

Chesterfield Borough Council

Year ending 31 March 2020



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

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

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

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

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

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

14 September 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07795 506 766.

Yours faithfully

Mark Dalton
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Chesterfield Borough Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Standards and Audit Committee meeting on 23 September 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of control
- Valuation of Property, Plant and Equipment, Investment Properties and Assets held for Sale
- Valuation of net pensions liability

Status of our work

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

Opinion on the financial statements

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

Value for Money conclusion

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

Whole of Government Accounts (WGA)

The NAO has not yet issued its Group Instructions regarding the audit work required and its timetable for audit reporting. The Council is expected to again be below the threshold requiring a detailed review of your WGA submission, and we would expect to be able to provide the information required by NAO by the reporting deadline once confirmed.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

The changes to the year-end timetable, the Council's and Mazars' working arrangements and other pressures during the COVID-19 pandemic period has lead to a number of challenges during the 2019/20 year-end accounts closedown and audit process. The financial statements and Value for Money conclusion audit work for the year is substantially complete but there are matters outstanding at the time of preparing this report, including the normal review and completion processes. The matters outstanding at the time of preparing this report are summarised below. We will provide the Standards and Audit Committee with an update in relation to these and any other matters at its 23 September 2020 meeting and in a follow-up letter, prior to signing the auditor's report.

Audit area	Status	Description of outstanding matters
Property, plant and equipment, Investment Properties and Assets held for Sale		We are finalising our sample testing of valuations and completing our testing in relation to the significant audit risk identified in our Audit Strategy Memorandum. The level of detailed testing needed to address the significant risk and to meet our regulators' expectations is high but no material issues have been identified from the work carried out to date. We are anticipating further guidance on the form of the audit opinion wording that should be used against the backdrop of COVID-19. We currently expect that the declaration of uncertainty in property valuations caused by Covid19 will lead to an emphasis of matter paragraph in the audit opinion. We provide more information on this matter at page 7.
Pensions		Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Derbyshire Pension Fund. We are yet to receive their final report for our consideration. We provide more information on this matter at page 8.
Bank Letter		There is one outstanding bank verification response. We are working with management to follow this up with the third party that has not yet responded.
Whole of Government Accounts (WGA)		NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 11.
Audit Quality Control and Completion Procedures		Our audit work is undergoing final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Standards and Audit Committee in February 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £2.0m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality is unchanged. We set our trivial threshold (the level under which individual errors are not communicated to the Standards and Audit Committee), at £60k based on 3% of overall materiality.



2. EXECUTIVE SUMMARY (CONTINUED)

Misstatements and internal control recommendations

Section 3 confirms that we have no internal control recommendations to report to you.

Section 4 summarises the position in relation to any adjusted or unadjusted misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Standards and Audit Committee in a follow-up letter.



2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

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

Significant risk

Management override of controls

Description of the risk

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

How we addressed this risk

We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Findings to date

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

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Valuation of Property, Plant and Equipment, Investment Properties and Assets held for Sale**

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. The Council has adopted a rolling programme for valuations which should see all land and buildings revalued over a five year cycle. Due to high degree of estimation uncertainty associated with those held at valuation, we determined there was a significant risk in this area.

How we addressed this risk

In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Reviewed the reasonableness of the indices applied by the valuer and considered any movement in valuation between the revaluation date and the year end;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer's.

Findings to date

We are finalising our sample testing of valuations and completing our testing in relation to the significant audit risk identified in our Audit Strategy Memorandum. The level of detailed testing needed to address the significant risk and to meet our regulators' expectations is high but no material issues have been identified from the work carried out to date. We will update the Standards and Audit Committee if any significant reporting issues emerge from the testing in progress in these areas.

At the outset of the Covid19 outbreak, set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuer has followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This is to be disclosed in the notes to the final draft Statement of Accounts. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B will be updated for any 'emphasis of matter' paragraph we include.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Valuation of net pensions liability**

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area.

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability we:

- Critically assessed the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund which support the IAS 19 valuation process were operating effectively;
- Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Findings to date

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Derbyshire Pension Fund. We are yet to receive their final report for our consideration.

In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020. Management has obtained an updated valuation report regarding these liabilities and confirmed the updated valuation is not materially different to the original report received. Management do not propose to amend the draft financial statements for this matter and we say more on this at page 13. A further legal case (the 'Goodwin' case) has emerged. Management do not expect the impact of this case to be material but we have requested that management liaise with the Fund's Actuary to support their judgement.

We will update the Standards and Audit Committee if any significant reporting issues emerge from these areas.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Flexible Use of Capital Receipts

Description of the management judgement

There are strict rules in place which restrict authorities from spending capital receipts on revenue items. Recent directions from the Secretary of State allow authorities to use capital receipts generated in the years 2016 until 2021 to fund revenue expenditure if it is designed to generate ongoing revenue savings from service reform or any transformational project. There are though rules in place designed to ensure transparency and proper use of these flexibilities. The Council has budgeted in 2019/20 to use around £0.4m of capital receipts, under this option, to support revenue expenditure.

How we addressed this judgement

We reviewed these transactions and the Council's reporting of the use of these flexibilities to determine whether the Secretary of State's statutory guidance was being complied with.

Audit conclusion

Our audit procedures have not identified any matters we need to report to you regarding the Council's compliance with statutory guidance regarding its use in 2019/20 of £0.4m of capital receipts to support revenue expenditure.

Management judgement

Provision for Business Rate Appeals against the Rating List

Description of the management judgement

Management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

How our audit addressed this area of management judgement

We reviewed the basis of the Council's calculation of its provision and assessed whether the provision had been calculated and recorded in accordance with the Council's accounting policy.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

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

Our detailed audit work started on an early version of the draft accounts in the week commencing 27 July 2020, the planned start date for the audit. The final draft accounts were provided to us and published on 10 August 2020, well in advance of the 31 August 2020 deadline for 2019/20. The published accounts were of a good quality and only a small number of audit adjustments arising from the work carried out to date have been required. Although the timetable changes for the accounts completion and audit and other work pressures meant there were some initial delays in receiving the full set of supporting working papers they have overall been of a good standard. Officers are continuing to respond promptly to our audit queries and information requests.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has now been disclosed in the notes to the final draft Statement of Accounts.
- The Council's adoption of the 'going concern' principle in preparing the Statement of Accounts. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of COVID-19.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. Management has obtained an updated valuation report regarding the McCloud liabilities and confirmed the updated valuation is not materially different to the original report received. Management do not propose to amend the draft financial statements for this matter and we say more on this at page 13. A further legal case (the 'Goodwin' case) has emerged. Management do not expect the impact of this case to be material but we have requested that management liaise with the Fund's Actuary to support their judgement.
- Work required by our regulators and other risks emerging during the year. As highlighted in our Audit Strategy Memorandum, as a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The changes to the Council's and Mazars' working arrangements in response to COVID-19, the changes to the national timetable and other pressures across the sector have led to a number of challenges during the year-end accounts closedown and audit process for management and ourselves. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections.

Possible delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO has not yet issued its Group Instructions for local authority audits. If it looks that these Instructions are to be significantly delayed then we may agree with management to issue the Auditor's Report, but without the Audit Certificate. We would then issue the Audit Certificate separately as soon as we are able to do so. We will update the Standards and Audit Committee when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are able to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.

3. INTERNAL CONTROL RECOMMENDATIONS

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

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

Based the audit work carried out this year, we have not identified any significant control deficiencies in 2019/20 that we are required to report to you and there were none reported in 2018/19 which we were required to follow up.

4. SUMMARY OF MISSTATEMENTS

No material misstatements have been identified during our audit work to date.

A small number of disclosure amendments to the notes to the Statement of Accounts have been agreed with management to correct minor errors. As described at page 10 the notes to the draft Statements are to be amended to include reference to the material uncertainty over the valuation of land and buildings and investment properties, as reported by the Council's valuer. There are no other significant amendments that we are required to highlight in this report.

Unadjusted misstatements

The unadjusted misstatements identified during the course of the audit work completed so far above the trivial reporting threshold of £60k are summarised below. Any unadjusted misstatements above the trivial threshold need to be included in the Management Letter of Representation (Appendix A).

	Draft Statements May 2020 IAS19 Report £000s	September 2020 IAS19 Report £000s	Difference £000s
1 Comprehensive Income and Expenditure Statement – Past Service Cost	1,095	435	(660)
Comprehensive Income and Expenditure Statement – Total comprehensive Income and Expenditure	(17,960)	(17,300)	660
Balance Sheet – Net Pension Liability	(60,893)	(60,233)	660
Balance Sheet - Pension Reserve	60,893	60,233	(660)

The draft Statements have been prepared based on the IAS19 actuarial valuation received May 2020. Management has in September 2020 obtained a further valuation report from the Actuary, to take into account changes to the valuation approach for the McCloud liability.

Management do not propose to amend the Statement of Accounts for these differences on the grounds of materiality. The Audit Committee will be updated on any additional unadjusted differences at its 23 September 2020 meeting.

5. VALUE FOR MONEY CONCLUSION

Introduction

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

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

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

Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified no significant audit risks. We did though identify the Council's medium term financial sustainability as a matter which we needed to keep under close review during our audit

Before drawing our conclusion we have:

- Reviewed the 2019/20 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2020/21:
 - Revenue and Capital budgets and Medium Term Financial Plan (MTFP)
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas

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

5. VALUE FOR MONEY CONCLUSION

Our approach (continued)

In April 2020 NAO issued an update to its VFM guidance to auditors which set out how local auditors should approach considering the impact of COVID-19 on their 2019-20 VFM arrangements conclusion risk assessment. The guidance states that auditors should generally consider local bodies' arrangements and their response to the pandemic as part of their 2020/21 work on VFM arrangements, and that only where there is a clear indication of a significant failure of arrangements during the 2019/20 financial year as a result of COVID-19 would it be appropriate to raise a 2019/20 significant risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified in relation to these matters.

Other observations

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outcome was not significant. The 2019/20 £107k underspend for the year was close to earlier forecasts and has been transferred to general reserves to support future spending.

The immediate impact of COVID-19 on the Council's 2020/21 financial position has been significant. At Quarter 1 of 2020/21 the Council was forecasting a net £3.2m deficit for the year, compared to the opening planned surplus of £16k. Income was forecast to be £5.8m lower than budget (largely through the closure of leisure centres and other venues and falls in car parking fees) although Government Grants and savings of around £2.6m were expected to mitigate the net overspend. Income collection rates are expected to be lower for the year but the understanding of the issues is not likely to be fully clear until Quarter 2 reporting was complete.

The full financial impact of COVID-19 in the medium term is not yet certain. The initial outbreak has impacted on the Council's ability to enact its original 2020/21 plan, including income generation and expenditure reductions. We recognise the Council is working through the implications and considerations through business planning and financial planning updates. The 2020/21 budget and MTFP assumptions are continuing to be revisited and updated and it is important the Council continues to ensure its financial resilience is assured over the medium term. There is also an acknowledgement that national funding reviews are unlikely to now take place as originally planned, so creating more uncertainty for the medium term.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of our risk assessment and reporting in the new financial year.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

xx September 2020

Dear Sirs

Chesterfield Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

Page 245

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Future commitments

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

Subsequent events

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

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 - we have assessed the potential impact of the COVID-19 Virus pandemic on the Council and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Chief Finance Officer

APPENDIX B

DRAFT AUDITOR'S REPORT

TO BE UPDATED FOLLOWING INTERNAL QUALITY REVIEW

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

Report on the financial statements

Opinion

We have audited the financial statements of Chesterfield Borough Council for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movements in the Housing Revenue Account, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Chesterfield Borough Council as at 31st March 2019 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities of the Chief Finance Officer, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Chesterfield Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Responsibilities of the Council

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

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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

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

Use of the audit report

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

Certificate

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

Mark Dalton

For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

September 2020

APPENDIX C INDEPENDENCE

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

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

CONTACT

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Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
23rd September 2020

Dear Sirs

Chesterfield Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Chesterfield Borough Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Future commitments

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

Subsequent events

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

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

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 - we have assessed the potential impact of the COVID-19 Virus pandemic on the Council and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

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

Unadjusted misstatements (if applicable)

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

Yours faithfully

Helen Fox

Chief Finance Officer

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FOR PUBLICATION

LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2020

MEETING: (1) STANDARDS AND AUDIT COMMITTEE
(2) CABINET MEMBER FOR FINANCE AND GOVERNANCE

DATE: (1) 23RD SEPTEMBER 2020
(2) tbc

REPORT BY: MONITORING OFFICER

WARD: ALL

1.0 PURPOSE OF REPORT

1.1 To inform members about the Local Government and Social Care Ombudsman Annual Review Letter.

2.0 RECOMMENDATION

2.1 To note the report.

3.0 BACKGROUND

3.1 Each year local authorities are sent an annual review letter by the Ombudsman. This summarises statistics about complaints received by the Ombudsman and their outcome.

3.2 This report informs members about the latest annual letter, received in July 2020, relating to Chesterfield Borough Council's performance in the year ending 31st March 2020.

3.3 A complaint to the Ombudsman stage is the final stage that a complaint about council service can be taken. The Ombudsman usually requires a complaint to have completed the Council's internal procedures before considering it.

This can mean that a complaint is referred back to the Council if it has not completed the internal stages.

4.0 ANNUAL LETTER

- 4.1 A copy of the Annual Letter is attached at Appendix 1.
- 4.2 The letter shows that 15 complaints were made about the council to the Ombudsman in the period ending 31st March 2020 (in 2019 7 complaints were made).
- 4.3 These related to Benefits and Tax (3), Corporate & Other Services (5) Planning and Development (4), Environmental Services (2) and Null (Other) (1).
- 4.4 Of the complaints, 7 were referred back for local resolution (these are typically because the Council's internal complaints procedures have not been used or used completely), 4 were closed after initial enquiries. 2 were incomplete/invalid. On one complaint advice was given. Individual decisions can be viewed on the Ombudsman website¹. It is not possible to discuss individual cases at the meeting as to do so would disclose personal data.
- 4.5 Significantly no complaints were upheld by the Ombudsman in the year.
- 4.6 The Annual Review Letter also refers to the effect of Covid-19, contains information about interpretation of performance, the interactive data map (see below) and complaint handling training and best practice advice.

5.0 COMPARISON OF RECENT YEARS

- 5.1 A table attached at Appendix 2 compares the past 5 years of Annual Letters.
- 5.2 With 2020 has the second highest number of complaints (2018 had 17, though 6 years ago - 2015 - had 23).
- 5.3 In no cases in the last 5 years were complaints about the Council upheld by the Ombudsman. This is also consistent with the Council's performance in years prior to 2015.

¹ <https://www.lgo.org.uk/Decisions/SearchResults?t=both&fd=0001-01-01&td=2020-9-8&dc=c%2Bnu%2Bu%2B&aname=Chesterfield+Borough+Council&sortOrder=descending>

5.4 The Ombudsman website contains an interactive data map of council performance. This is at:

<https://www.lgo.org.uk/your-councils-performance>.

5.5 The national average for upheld complaints is 45%, with the figures for nearby local authorities as follows:

	Upheld
<i>National Average</i>	<i>45% (66% for counties)</i>
Chesterfield Borough Council	0%
Derbyshire County Council	75%
Derbyshire Dales District Council	0%
North East Derbyshire District Council	0%
Bolsover District Council	25%

6.0 CONCLUSION

6.1 The Council's has performed consistently well in the past 5 years, with no upheld Ombudsman complaints.

7.0 RECOMMENDATION

7.1 To note the report.

8.0 REASON FOR RECOMMENDATION

8.1 To inform members about the Council performance on complaints to the Ombudsman.

GERARD ROGERS
MONITORING OFFICER

Further information from Gerard Rogers, Monitoring Officer and Regulatory & Local Government Law Manager, Legal Services - Tel 345310 or gerard.rogers@chesterfield.gov.uk

22 July 2020

By email

Mr Bowen
Chief Executive
Chesterfield Borough Council

Dear Mr Bowen

Annual Review letter 2020

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2020. Given the exceptional pressures under which local authorities have been working over recent months, I thought carefully about whether it was still appropriate to send you this annual update. However, now, more than ever, I believe that it is essential that the public experience of local services is at the heart of our thinking. So, I hope that this feedback, which provides unique insight into the lived experience of your Council's services, will be useful as you continue to deal with the current situation and plan for the future.

Complaint statistics

This year, we continue to place our focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have made several changes over recent years to improve the data we capture and report. We focus our statistics on these three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated. A focus on how often things go wrong, rather than simple volumes of complaints provides a clearer indicator of performance.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice. Our recommendations try to put people back in the position they were before the fault and we monitor authorities to ensure they comply with our recommendations. Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedies provided by the authority - We want to encourage the early resolution of complaints and to credit authorities that have a positive and open approach to

resolving complaints. We recognise cases where an authority has taken steps to put things right before the complaint came to us. The authority upheld the complaint and we agreed with how it offered to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

This data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 29 July 2020, and our Review of Local Government Complaints. For further information on how to interpret our statistics, please visit our [website](#).

Resources to help you get it right

There are a range of resources available that can support you to place the learning from complaints, about your authority and others, at the heart of your system of corporate governance. [Your council's performance](#) launched last year and puts our data and information about councils in one place. Again, the emphasis is on learning, not numbers. You can find the decisions we have made, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the tool with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

Earlier this year, we held our link officer seminars in London, Bristol, Leeds and Birmingham. Attended by 178 delegates from 143 local authorities, we focused on maximising the impact of complaints, making sure the right person is involved with complaints at the right time, and how to overcome common challenges.

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. During the year, we delivered 118 courses, training more than 1,400 people. This is 47 more courses than we delivered last year and included more training to adult social care providers than ever before. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld

The Ombudsman carried out no detailed investigations during this period

Compliance with Ombudsman recommendations

No recommendations were due for compliance in this period

Satisfactory remedies provided by the authority

The Ombudsman did not uphold any detailed investigations during this period

Reference	Authority	Category	Received
19000565	Chesterfield Borough Council	Planning & Development	10 Apr 2019
19001795	Chesterfield Borough Council	Planning & Development	02 May 2019
19001797	Chesterfield Borough Council	Environmental Services & Public Protection & Regulation	02 May 2019
19004515	Chesterfield Borough Council	Benefits & Tax	19 Jun 2019
19006697	Chesterfield Borough Council	Benefits & Tax	23 Jul 2019
19006733	Chesterfield Borough Council	Corporate & Other Services	23 Jul 2019
19009321	Chesterfield Borough Council	Corporate & Other Services	04 Sep 2019
19011383	Chesterfield Borough Council	Planning & Development	07 Oct 2019
19013247	Chesterfield Borough Council	Null	06 Nov 2019
19013667	Chesterfield Borough Council	Corporate & Other Services	12 Nov 2019
19014105	Chesterfield Borough Council	Corporate & Other Services	18 Nov 2019
19014109	Chesterfield Borough Council	Corporate & Other Services	18 Nov 2019
19015738	Chesterfield Borough Council	Environmental Services & Public Protection & Regulation	13 Dec 2019
19020548	Chesterfield Borough Council	Benefits & Tax	13 Mar 2020
19020672	Chesterfield Borough Council	Planning & Development	09 Mar 2020

Reference	Authority	Category	Decided	Decision	Decision Reason	Remedy	Service improvement recommendations
18016721	Chesterfield Borough Council	Planning & Development	01/04/19	Closed after initial enquiries	26(6)(b) appeal to Minister		
19000565	Chesterfield Borough Council	Planning & Development	15/05/19	Referred back for local resolution	Premature Decision - referred to BinJ		
19001795	Chesterfield Borough Council	Planning & Development	02/05/19	Referred back for local resolution	Premature Decision - advice given		
19001797	Chesterfield Borough Council	Environmental Services & Public Protection & Regulation	19/06/19	Closed after initial enquiries	Not warranted by alleged mal/service failure		
19004515	Chesterfield Borough Council	Benefits & Tax	19/06/19	Referred back for local resolution	Premature Decision - advice given		
19006697	Chesterfield Borough Council	Benefits & Tax	17/09/19	Closed after initial enquiries	26B(2) not made in 12 months		
19006733	Chesterfield Borough Council	Corporate & Other Services	30/09/19	Closed after initial enquiries	Other reason not to investigate		
19011383	Chesterfield Borough Council	Planning & Development	11/11/19	Advice given	Previously considered and decided		
19013247	Chesterfield Borough Council	Null	06/11/19	Incomplete/Invalid	Insufficient information to proceed and PA advised		
19013667	Chesterfield Borough Council	Corporate & Other Services	12/11/19	Referred back for local resolution	Premature Decision - advice given		
19014105	Chesterfield Borough Council	Corporate & Other Services	18/11/19	Referred back for local resolution	Premature Decision - advice given		
19014109	Chesterfield Borough Council	Corporate & Other Services	18/11/19	Referred back for local resolution	Premature Decision - advice given		
19015738	Chesterfield Borough Council	Environmental Services & Public Protection & Regulation	13/12/19	Referred back for local resolution	Premature Decision - advice given		
19020672	Chesterfield Borough Council	Planning & Development	09/03/20	Incomplete/Invalid	Insufficient information to proceed and PA advised		

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Ombudsman Annual Letters – statistics - 2020

Complaints received

	Adult care services	Benefits and tax	Corporate and other services	Environment Services	Highways and Transport	Housing	Planning and Development	Other/Null	Total
2020	0	3	5	2	0	0	4	1	15
2019	0	3	0	1	0	0	2	1	7
2018	0	0	3	3	1	6	4	0	17
2017	1	0	1	1	1	4	3	0	11
2016	0	1	1	0	2	3	0	0	7

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Decisions made

	Incomplete /invalid complaint	Advice given	Referred back for local resolution	Closed after initial enquiries	Not upheld	Upheld	Uphold Rate	Total	Complaints remedied by LGO	Complaints remedied Satisfactorily before LGO involvement
2020	2	1	7	4	0	0	0%	14	0	0
2019	0	1	5	0	2	0	0%	8	0	0
2018	0	4	7	3	2	0	0%	16	0	0
2017	0	3	4	3	1	0	0%	11	0	0
2016	0	2	1	3	1	0	0%	7	0	0

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FOR PUBLICATION

COVID-19 - BUSINESS AND PLANNING ACT 2020

MEETING: (1) STANDARDS AND AUDIT COMMITTEE
(2) CABINET MEMBER FOR GOVERNANCE

DATE: (1) 23rd SEPTEMBER 2020
(2) Tbc

REPORT BY: MONITORING OFFICER

WARD: ALL

1.0 PURPOSE OF REPORT

1.1 For an appropriate additional delegation to be put in place to ensure proper governance under legislation made in response to the current Covid-19 pandemic.

2.0 RECOMMENDATION

2.1 That the officer delegation proposed in this report be agreed.

3.0 BACKGROUND

3.1 On 19th March this committee considered and approved a series of delegations to enable Council decision-making to continue during the national emergency resulting from the Covid-19 pandemic. A further (virtual) meeting of the committee on 5th May enabled the Council to effectively introduce remote meetings. On 2nd July members considered new delegations arising from the Business and Planning Bill (now enacted). A report was submitted to Standards and Audit Committee on 22nd July reviewing all these steps.

- 3.3 This report seeks an additional delegation for the planning decision process relating to some environmental approvals, not anticipated as necessary at the time of the 2nd July report.
- 3.6 The Chair of Planning Committee has been consulted on these proposed delegation and supported the proposal, which was also informally raised with Planning Committee without comment.

4.0 EXTENSION OF CERTAIN PLANNING PERMISSIONS

- 4.1 The Business and Planning Act 2020 temporarily modifies the Town and Country Planning Act 1990 and the Planning (Listed Buildings and Conservation Areas) Act 1990 to enable certain planning permissions and listed building consents in England which have lapsed or are due to lapse during 2020 to be extended. Government guidance¹ says

This is in recognition of the effect coronavirus has had on the planning system and the construction sector and in particular the delays it has caused to the commencement of new development. This extension will allow the commencement of the planning permissions and listed building consents without the need for a new application

- 4.2 Planning permissions have a condition which state that development must start before a certain date. Unimplemented planning permissions due to lapse between 19th August 2020 and 31st December 2020 are extended by the Act automatically to 1st May 2021 with no requirement for Additional Environmental Approval. All listed building consents with a time limit for implementation between 23rd March 2020 and 31st December 2020 are extended to 1st May 2021.
- 4.3 Unimplemented planning permissions with time limits for implementation between 23rd March 2020 and 19th August 2020 are restored with their time limit extended to 1st May 2021, subject to Additional Environmental Approval being granted.
- 4.4 Where Additional Environmental Approval is required an application must be submitted to the local planning authority with relevant supporting information. If the original planning permission did not require an Environmental Impact

¹ <https://www.gov.uk/government/publications/extension-of-certain-planning-permissions-draft-guidance/extension-of-certain-planning-permissions-draft-guidance>

Assessment or Habitats Regulations Assessment applicants should explain why they consider they are still not needed.

- 4.5 The purpose of the Additional Environmental Approval consent route is to ensure that there have not been any changes since the original consideration of Environmental Impact Assessment and Habitats Regulation Assessment. Once an application is sent it must be decided within 28 days (with a total extension to that, by agreement, of up to 21 days). If there is no decision in that time the application is deemed to be granted.
- 4.6 While it is anticipated that there are only ever likely to be a small handful of such applications in Chesterfield, a new officer delegation is sought for the Development Management and Conservation Manager to consider and decide such applications so that they can be decided. The above timescales would not permit a committee determination and in any case all other environmental impact matters are already delegated to the Development Management and Conservation Manager (Delegation reference P760D). To date one application has been received and is currently awaiting determination.

5.0 RECOMMENDATION

- 10.1 That the officer delegation proposed in this report be agreed.

10.0 REASON FOR RECOMMENDATION

- 10.1 To put in place an appropriate delegation to enable the provisions of the Business and Planning Act 2020 relating to determining Additional Environmental Approvals (which contains measures as the result of Covid-19) to be put into effect.

GERARD ROGERS
MONITORING OFFICER

Further information from Gerard Rogers, Monitoring Officer and Regulatory & Local Government Law Manager, Legal Services - Tel 345310 or gerard.rogers@chesterfield.gov.uk

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