



CHESTERFIELD
BOROUGH COUNCIL

Statement of Accounts
2015/16

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

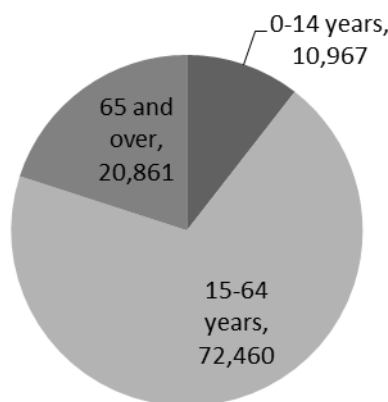
The market town of Chesterfield acts as the sub-regional centre for North Eastern Derbyshire and provides a range of retail, commercial, leisure and cultural facilities. The town is well located on the edge of the Peak District National Park and benefits from easy access to the surrounding cities of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

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

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

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

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



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

Economic Profile – the economic data tells us:

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

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

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

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

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

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

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

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

NON-FINANCIAL PERFORMANCE

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

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

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

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

Council Plan 2015/16 commitment progress

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

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

Key outputs and outcomes for 2015/16 include:

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

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

Commitments for year 2 of the Council Plan

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

Performance Management Framework

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

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

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

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

FINANCIAL PERFORMANCE

2015/16 Budget Process

Before the start of the 2015/16 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The major funding sources to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rent income. The grant income from the Government and the retained business rates income finance 63% of the General Fund Budget requirement with the remaining 37% coming from the Council Tax. The rent income comes from the Council's extensive industrial & commercial property portfolio. All of the income sources were under severe pressure:

- Government grant – a cut of £1.0million in the Revenue Support Grant.
- Retained Business Rates – introduced in 2013/14, the scheme allows the Council to share in the growth of this income from within its area. The estimated cost of backdated valuation appeals, however, has suppressed the potential income growth in the early years of the scheme.
- Fees, charges and rental income were impacted by the recent economic conditions.
- Council Tax – once again the Government exercised control over any increase, firstly by requiring a referendum to be held for an increase of 2% or more, and secondly by offering a grant equivalent to a 1% council tax increase if the tax was frozen.

The Council froze its Council Tax for 2015/16 at £144.89 per annum for a Band 'D' property. The Budget was set at £11.0 million and financed as follows:

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

The budget for 2015/16 which was set in February 2015 showed a deficit of £680k before allowing for the planned savings target. A savings target of £586k was set leaving a balance of £94k to be financed from reserves or further savings. The savings were to be delivered through a business transformation programme titled "Great Place:Great Service". The programme aims to deliver savings from a wide range of initiatives including reviews of the workforce, assets, customer service channels and the application of information technology.

Budget Management During 2015/16

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

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

Budget Savings - reduced expenditure/increased income:

Staffing savings £129k

Reduced energy costs £190k

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

Budget Increases - increased expenditure/reduced income:

Reprofile of budget savings £286k
 Income from commercial/industrial rents £151k

Revenue Budget Outturn

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

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

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

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

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

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

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

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

Housing Revenue Account

The Council continues to be the major provider of rental accommodation in the Borough, with 9,487 dwellings. All income and expenditure relating to the landlord function of providing council housing must be accounted for within a ring-fenced account called the Housing Revenue Account (HRA). The ring-fencing means that the account cannot be used to subsidise other Council activities and similarly other activities cannot be used to subsidise the HRA.

The HRA for 2015/16 is set out on pages 97 to 103 and shows an increase to the HRA balance of £2,444,445 due mainly to slippage in the capital programme financed from revenue.

Direct Service Organisations

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSOs) during 2015/16 which generated a combined surplus of £253,773.

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

Capital Spending in 2015/16

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

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

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

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

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

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

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

Pension Costs

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£61.0m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities.

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

Reserves & Balances

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

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

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

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

Medium Term Outlook

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

The Local Government Grant Settlement which was published in January provided final figures for 2016/17 and provisional figures for a further three years. The cut in the Council's Settlement Funding Assessment for 2016/17 is £0.7m or 13%. The Council will have the opportunity in October 2016 to submit an Efficiency Plan to the Government which, if

accepted, will mean that the future years' provisional figures will become more secure. This will have the advantage of providing more certainty about the medium term funding position.

The medium term budget forecast produced in February 2016 showed a savings target of £1.3m in 2016/17 which peaks at £2.9m in 2019/20. In order to deliver the required savings, the Council is implementing a transformation programme, under the banner "Great Place: Great Service" (as described above). The GP:GS programme aims to modernise and improve the efficiency of the services that the Council provides. The transformation programme also includes a project to devise and implement an Operating Model for the Council to reflect the environment in which it currently operates. The project commenced in 2015/16 and one of the early outputs from that process has been the identification of some 'cease or reduce' options. Delivering significant savings in order to balance the budget over the medium term continues to be a major challenge and priority for the Council.

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

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

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

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

- a) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;
- b) Changes to the key Central Government funding sources such as the New Home Bonus and the Business Rates Retention schemes.

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

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

Corporate Risks and Uncertainties

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

Summary

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

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

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

Further Information

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

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

Acknowledgments

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

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

**H. FOX CPFA
CHIEF FINANCE OFFICER**

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

INTRODUCTION TO THE STATEMENTS

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

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

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

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

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

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

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

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

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

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

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code;
- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATE

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

**H.FOX CPFA
CHIEF FINANCE OFFICER**

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

The Governance Framework

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

Chesterfield Borough Council identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users via its Corporate Plan and Vision statement which were updated in February 2015. The Corporate Plan consists of 3 priorities:-

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

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

Customer focused: delivering great customer service, meeting customer needs

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

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

Honesty and respect: embracing diversity and treating everyone fairly

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

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

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

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

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

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

In order to ensure compliance with relevant laws and regulations, internal policies and procedures, Chesterfield Borough Council has a comprehensive induction policy and provides training for staff and Members on a regular basis. The Constitution is

underpinned by legal references. Training needs are identified through Member and employee performance and development reviews and continuous professional development is encouraged. Policies are readily available on the intranet.

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

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

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

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

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

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

Review of Effectiveness

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

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

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

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

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

Significant Governance Issues

The following significant governance issues have been identified:

No.	Issue	Action Proposed	Target Date
1.	Budget - Implementing actions to address the forecast budget deficits in 2016/17. The General Fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting: <ul style="list-style-type: none"> • Financial Planning Group • Great Place:Great Service Board • Corporate Cabinet and CMT workshops • Monthly budget monitoring reports to 	31/03/17

		<p>service managers</p> <ul style="list-style-type: none"> • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions 	
2.	<p>Procurement – progress has been made during 2015/16 but the new arrangements with the NHS Royal Hospital need time to embed to ensure that the procurement process is robust from start to finish.</p>	<p>The Council has recently entered in to an agreement with the Chesterfield Royal Hospital NHS Foundation Trust to provide a procurement service.</p> <p>This arrangement will be kept under review to ensure that it is meeting the Council's requirements. The transitional processes are currently being evaluated and adapted.</p> <p>A Procurement Strategy will be devised and training provided to all key staff.</p>	30/09/16
3.	<p>Data Protection – Following a critical audit report in May 2015, Officers identified further weaknesses that need addressing. Some of the weaknesses have been addressed however others remain outstanding.</p>	<p>Resources will be allocated to address the weaknesses outstanding. The new staffing structure includes an Information Assurance officer.</p> <p>The Information Assurance Manager post is currently out to advert, together with a support officer role. When both posts are filled it will provide additional capacity to tackle this priority area.</p>	30/9/16
4.	<p>IT performance/PSN compliance and Security issues - this is in an improved position from last year however there is still further work to be done.</p>	<p>An Executive Director is leading on this review.</p> <p>The Council and Arvato (The Council's IT provider) have designed an action plan to deliver PSN compliance within the required timescale. The requirements are more stringent than the previous year and therefore the volume of work is complex and large scale. Work is currently on track to meet the target.</p>	30/09/16

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

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

Signed:

H Bowen
Chief Executive

Councillor J Burrows
Leader of Chesterfield Borough Council

Date:

MOVEMENT IN RESERVES STATEMENT

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

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

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

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

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserve	Housing Revenue Account	Earmarked Housing Revenue Account Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 st March 2014	1,750	9,935	12,495	296	429	66	1,240	26,211	192,656	218,867
Movement in reserves during 2014/15										
Surplus/ (deficit) on provision of services	643	(20)	7,579	-	-	-	-	8,202	-	8,202
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(14,047)	(14,047)
Total Comprehensive Income & Expenditure	643	(20)	7,579	-	-	-	-	8,202	(14,047)	(5,845)
Adjustments between accounting basis & funding basis under regulations (note 7)	277	(12)	(1,988)	-	225	2,213	(491)	224	(224)	-
Net Increase / (Decrease) before transfer to Earmarked Reserves	920	(32)	5,591	-	225	2,213	(491)	8,426	(14,271)	(5,845)
Transfer to/from Earmarked Reserves	(920)	926	(60)	60	46	-	-	52	(52)	-
Increase / (Decrease) in 2014/15	-	894	5,531	60	271	2,213	(491)	8,478	(14,323)	(5,845)
Balance at 31st March 2015 carried forward (notes 8, 41 & 42)	1,750	10,829	18,026	356	700	2,279	749	34,689	178,333	213,022
Movement in reserves during 2015/16										
Surplus/ (deficit) on provision of services	(8,937)	286	11,114	-	-	-	-	2,463	-	2,463
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	22,208	22,208
Total Comprehensive Income & Expenditure	(8,937)	286	11,114	-	-	-	-	2,463	22,208	24,671
Adjustments between accounting basis & funding basis under regulations (note 7)	8,136	(142)	(8,673)	-	(73)	(2,279)	(306)	(3,337)	3,337	-
Net Increase / (Decrease) before transfer to Earmarked Reserves	(801)	144	2,441	-	(73)	(2,279)	(306)	(874)	25,545	24,671
Transfer to/from Earmarked Reserves	551	(549)	4	(4)	34	-	-	36	(36)	-
Increase / (Decrease) in 2015/16	(250)	(405)	2,445	(4)	(39)	(2,279)	(306)	(838)	25,509	24,671
Balance at 31st March 2016 carried forward (notes 8, 41 & 42)	1,500	10,424	20,471	352	661	-	443	33,851	203,842	237,693

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

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

The Statement has two sections.

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

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

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

BALANCE SHEET

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

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

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

BALANCE SHEET AS AT 31ST MARCH 2016

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

CASH FLOW STATEMENT

The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period.

The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

CASH FLOW STATEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end 31st March 2016.

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

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

1.2 ACCRUALS OF EXPENDITURE & INCOME

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

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

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

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

1.3 CASH & CASH EQUIVALENTS

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

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

1.4 INTERNAL INTEREST

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

1.5 OVERHEADS

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received.

The exception to this is:

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

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

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

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

Termination Benefits

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

Post Employment Benefits

Employees of the council may be members of the Local Government Pension Scheme administered by Derbyshire County Council. The scheme provides defined benefits to

members (retirement lump sums and pensions) earned as employees worked for the council.

The Local Government Pension Scheme

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

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

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

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

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

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

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

1.7 VALUE ADDED TAX

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

1.8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.9 INVENTORIES

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

1.10 RESERVES

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

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

1.11 PROVISIONS

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 76).

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

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

1.12 INVESTMENT PROPERTY

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

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

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

1.13 PROPERTY, PLANT & EQUIPMENT

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

Assets are initially measured at cost. The cost of assets other than by purchase is deemed to be its fair value. This is the amount that would be received on disposing of

an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

Non-current Assets Held for Sale

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

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

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

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

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

Disposals

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

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

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

1.14 DEPRECIATION & IMPAIRMENT

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

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

Depreciation charges are calculated as follows:

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

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

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

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

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

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

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

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

1.15 **HERITAGE ASSETS**

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

Historic Sites & Buildings

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

War Memorials/Other Monuments

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

Percent For Art

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

Rosewall Sculpture

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

Mayoral Regalia and Civic Plate, Paintings and Porcelain

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

Museum Collection

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

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

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

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1.18 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Money received by the authority for which conditions have not been

satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.19 LEASES

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

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

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

Finance Leases

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

Operating Leases

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

The Authority as Lessor

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

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

1.20 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into three types:

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

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

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

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

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

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

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

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

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

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

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

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

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

1.21 INTEREST IN COMPANIES AND OTHER ENTITIES

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

There were no group accounts identified for 2015/16.

1.22 JOINTLY CONTROLLED OPERATIONS

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

The Council has a joint operation with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. The Council recognises on its balance sheet, its share of the assets that it controls and liabilities incurred and its share of the expenditure and income earned from the operation on its Comprehensive Income & Expenditure Statement. Note 58 on page 93 provides further details.

1.23 CONTINGENT ASSETS/LIABILITIES

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

1.24 PRIOR PERIOD ADJUSTMENTS

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

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

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

1.25 PRIVATE PUBLIC PARTNERSHIP

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

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

1.26 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

From 2013/14, the Code requires that where authorities have transactions that include amounts that are reclassifiable in the surplus/deficit on the provision of services, items

listed in the Other Comprehensive Income & Expenditure section of the statement must be grouped into those items that will not be subsequently reclassified and those that will. This authority does not have any transactions that are reclassifiable and has not therefore grouped the items into two separate categories.

1.27 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

The Code of Practice on Local Authority Accounting for 2016/17 requires the disclosure of information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following standards have been issued that will be adopted by the Code in 2016/17 and will be applicable to the Council from 1st April 2016.

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

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

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

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

The Code requires implementation from 1st April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Balance Sheet at 31st March 2016, for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including mortality rates, expected return on fund assets	These assumptions interact in complex ways. During 2015/16, the actuaries advised that the net pensions

	and future salary rate increases. A firm of actuaries are engaged by the pension fund administrator to advice on the assumptions to be applied.	liability had reduced by £2.662m because of estimates being corrected as a result of experience and decreased by £15.046m attributable to updating their assumptions.
Arrears	At 31 st March 2016, the Authority had a balance of sundry debtors of £4.2m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £2.0m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £41k to be found.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that this level of spending on repairs and maintenance can be sustained, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, including council houses, would increase by £787k for every year that useful lives had to be reduced.
Fair value measurement	<p>When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), valuation techniques such as quoted prices for similar assets in active markets or discounted cash flow are used. Where possible, the inputs to the valuation are based on observable data, but where this is not possible, judgement is required in establishing fair values, including considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value amount.</p> <p>Where Level 1 inputs are not available, the authority uses relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in notes 20, 25 and 39.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates, adjusted for regional factors, for investment properties and some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.</p>

A further source of uncertainty has arisen due to the introduction of the Business Rates Retention Scheme from 1st April 2014. Local Authorities are now liable for a proportion of successful appeals against business rates in their proportionate shares. Therefore a provision has been recognised in the accounts to cover this liability. It is difficult to judge the size of the provision required due to the high level of uncertainty as to when and if the appeals will be decided and which appeals will be successful.

The provision has been calculated using information from the Valuation Office ratings list of appeals and an analysis of successful appeals to date by an independent company.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

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

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

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

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

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

Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,342)					4,342
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	153					(153)
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	79	21				(100)
<u>Total Adjustments</u>	7,994	(8,673)	(73)	(2,279)	(306)	3,337

2014/15	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
<u>Reversal of items debited/credited to Comprehensive Income & Expenditure Statement</u>						
Depreciation, impairment & revaluation losses of non-current assets	2,762	8,232				(10,994)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,252	4,376				(5,628)
Movement in market value of Investment Properties	702	(166)				(536)
Amortisation of intangible assets	21					(21)
Capital grants & contributions applied	(8,184)				(491)	8,675
Revenue expenditure funded from capital under statute	1,363					(1,363)
<u>Insertion of items not debited/credited to Comprehensive Income & Expenditure Statement</u>						
Statutory provision for financing of capital investment	(384)					384
Capital expenditure charged against General Fund and HRA balances	(551)					551
Voluntary Repayment of Debt		(2,108)				2,108
<u>Adjustments primarily involving Capital Receipts Reserve:</u>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,561)			3,561
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	831		(831)			
Transfer of cash sale proceeds credited as part of gain/loss on	(1,348)	(3,269)	4,617			

disposal to CIES						
<u>Adjustment primarily involving Major Repairs Reserve:</u>						
HRA depreciation & impairment		(7,183)		7,183		
Excess of Major Repairs Allowance Over HRA depreciation		(2,266)		2,266		
Use of Major Repairs Reserve to finance new capital expenditure				(7,236)		7,236
<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	(1)					1
<u>Adjustments primarily involving Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	6,441	392				(6,833)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,073)					4,073
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	1,443					(1,443)
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(9)	4				5
<u>Total Adjustments</u>	265	(1,988)	225	2,213	(491)	(224)

8. **TRANSFERS TO/FROM EARMARKED RESERVES**

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

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

9. OTHER OPERATING EXPENDITURE

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

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

11. TAXATION AND NON SPECIFIC GRANT INCOMES

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

12. OTHER TRADING UNDERTAKINGS

In 2015/16, the following trading activities were reported within the Comprehensive Income & Expenditure Statement. The Service Reporting Code of Practice requires trading accounts that are an integral part of the total cost of a service to be consolidated fully into the total cost of that service.

Accordingly, the following activities have been consolidated into the relevant service area within the Cost of Services Section of the Comprehensive Income & Expenditure Statement and are shown below as a disclosure note.

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

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

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

Industrial/Commercial Units – the authority lets 233 units throughout the borough. The objective is to support business development and create job opportunities. Incentives to potential occupiers may be offered and the target is to secure at least 90% occupancy levels, provide employment and maximise revenue from the property portfolio.

Town Centre Shops – the authority lets 73 units in Chesterfield & Staveley town centres. The objective is to create a vibrant and diverse economy, to secure employment and to maximise revenue from the property portfolio.

13. OFFICERS' REMUNERATION

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

Remuneration Band	No. of Employees	
	2015/16	2014/15
£50,000 - £54,999	4	3
£55,000 - £59,999	1	1
£60,000 - £64,999	-	-
£65,000 - £69,999	1	2
£70,000 - £74,999	-	2
£75,000 - £79,999	2	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1

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

2015/16	Salary (incl fees & allowances)	Expense Allowances	Benefits in Kind (e.g car allowance)	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2014/15	Pension Contributions	Total Remuneration incl pension contributions 2014/15
Post title	£	£	£	£	£	£	£
Chief Executive	104,499	329	611	-	105,439	13,794	119,233
Executive Director	86,700	308	-	-	87,008	11,444	98,452
Executive Director	86,700	-	285	-	86,985	11,444	98,429
Chief Finance Officer	66,810	32	155	-	66,997	8,819	75,816
Total	344,709	669	1,051	-	346,429	45,501	391,930

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

- (a) The Executive Director commenced in this new role from 17/11/14.
(b) The Executive Director commenced in this new role from 5/1/15.
(c) The Head of Regeneration left 28/9/14 following a restructure of the Senior Management Team.
(d) The Head of Environment left 6/7/14 following a restructure of the Senior Management Team.
(e) The job title of the Head of Finance changed to Chief Finance Officer from 1/7/14.
(f) The Head of Governance left 11/7/14 following a restructure of the Senior Management Team.
(g) The Head of Business Transformation left 16/11/14 following a restructure of the Senior Management Team
(h) From 15/11/14, these posts no longer form part of the Senior Management Team

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

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

14. AGENCY SERVICES

The Council previously had an agency agreement with Derbyshire County Council whereby the Council was responsible for maintaining highways within the Borough on behalf of the County Council. Although this agreement has been terminated, the Council continues to provide an amenity maintenance service on behalf of the County Council and they reimburse the Council for this work, including a contribution towards administrative costs. Total expenditure in 2015/16 was £204,747 (£253,747 in 2014/15).

15. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

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

Transactions Relating to Post-employment Benefits

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

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

Movement in Reserves Statement		
<ul style="list-style-type: none"> Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code 	(8,183)	(7,014)
Actual amount charged against General Fund Balance for pensions in year		
<ul style="list-style-type: none"> Employers' contributions payable to scheme 	4,342	4,254

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Reconciliation of Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	143,852	130,372
Interest income	4,587	5,560
Re-measurement gain/loss:		
<ul style="list-style-type: none"> Return on plan assets, excluding amount included in net interest expense 	(4,458)	9,888
Contribution from employer	4,310	4,225
Contributions from employees into the scheme	1,093	1,065
Benefits paid	(6,412)	(7,258)
Closing fair value of scheme assets	142,972	143,852

Reconciliation of Present Value of Scheme Liabilities

	2015/16 £000	2014/15 £000
Opening balance at 1 st April	218,404	185,838
Current service cost	5,700	4,543
Interest cost	6,995	7,951
Contribution from scheme participants	1,093	1,065
Remeasurement gains/losses:		
<ul style="list-style-type: none"> Actuarial gains/losses arising from changes in demographic assumptions 	-	-
<ul style="list-style-type: none"> Actuarial gains/losses arising from changes in financial assumptions 	(19,504)	27,793
<ul style="list-style-type: none"> Other 	(2,662)	(1,574)
Past service cost	32	46
Benefits paid	(6,412)	(7,258)
Closing balance at 31st March	203,646	218,404

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2015/16				2014/15			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets
Cash and cash equivalents	-	5,862	5,862	4%	-	9,128	9,128	6%
Equity Securities								
• Consumer	11,756	-	11,756	8%	11,392	-	11,392	8%
• Manufacturing	13,336	-	13,336	9%	14,417	-	14,417	10%
• Energy & utilities	8,148	-	8,148	6%	10,502	-	10,502	7%
• Financial institutions	11,210	-	11,210	8%	11,178	-	11,178	8%
• Health and care	6,202	-	6,202	4%	6,433	-	6,433	4%
• Information technology	3,992	-	3,992	3%	2,893	-	2,893	2%
• Other	14,627	-	14,627	10%	14,391	-	14,391	10%
Sub-total Equity	69,271	-	69,271	48%	71,206	-	71,206	49%
Debt Securities								
• Corporate	-	7,915	7,915	6%	-	6,948	6,948	5%
• UK Government	16,016	-	16,016	11%	17,550	-	17,550	12%
• Other	2,854	-	2,854	2%	3,809	-	3,809	3%
Sub-total Debt	18,870	7,915	26,785	19%	21,359	6,948	28,307	20%
Property								
• UK Property	-	8,524	8,524	6%	-	6,977	6,977	5%
Private Equity								
• All	1,940	586	2,526	2%	703	367	1,070	1%
Investment Funds & Unit Trusts								
• Equities	27,162	386	27,548	19%	25,142	871	26,013	18%
• Bonds	-	-	-	-	-	-	-	-
• Infrastructure	1,631	825	2,456	2%	400	751	1,151	1%
Sub-total Investment Funds & Unit Trusts	28,793	1,211	30,004	21%	25,542	1,622	27,164	19%
Total Assets	118,874	24,098	142,972	100%	118,810	25,042	143,852	100%

Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary are:

	2015/16	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	22.0	22.0
• Women	24.2	24.2
Longevity at 65 for future pensioners		
• Men	24.1	24.1
• Women	26.6	26.6
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.2%	3.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%
Take up of option to convert annual pension into retirement lump sum – pre April 2008 service	50%	50%
Take up of option to convert annual pension into retirement lump sum – post April 2008 service	75%	75%

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

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	20,625
1 year increase in member life expectancy	3%	6,109
0.5% increase in Salary Increase Rate	3%	5,799
0.5% increase in Pension Increase Rate	7%	14,581

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are reviewed as part of the triennial valuation process. The next triennial valuation is due to be completed on 31st March 2016.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2016/17 is £4.178m.

The weighted average duration of the defined benefit obligation for scheme members is 22.7 years for active and deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 15/16 is 17.4 years.

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

16. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

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

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

17. **GRANT INCOME**

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16.

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

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

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will/may require the monies to be returned. The balances at year end are as follows:

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

18. EXTERNAL AUDIT COSTS

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

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

19. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

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

<u>Movements in 2014/15</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Gross Book Value</u>								
Brought forward 1 April	265,915	62,097	2,448	5,835	4,072	1,249	1,596	343,212
Additions	14,279	256	78	226			6,790	21,629
Revals - Reval'n Res	1,511	588						2,099
Revals - surplus/deficit on provision of services	(7,916)	221						(7,695)
Derecog'n - disposals	(2,197)							(2,197)
Derecog'n - other	(2,330)	(107)						(2,437)
Reclassified to/from Held For Sale	(23)	(412)						(435)
Other movements	450	1,580	29			(141)	(1,899)	19
GBV at 31 March 15	269,689	64,223	2,555	6,061	4,072	1,108	6,487	354,195
<u>Accumulated Depreciation & Impairment</u>								
Brought forward 1 April	-	(3,736)	(1,895)	(2,435)	-	(3)	-	(8,069)
Additions - depreciation	(7,072)	(2,797)	(162)	(231)		(1)		(10,263)
Additions - impairment								-
Revals - Reval'n Res		259						259
Revals - surplus/deficit on provision of services	6,867	42						6,909
Derecog'n - disposals	86							86
Derecog'n - other	148	43						191
Reclassified to/from Held For Sale	1	55						56
Other movements	(30)	7				4		(19)
Depreciation & Impairment at 31 March 15	-	(6,127)	(2,057)	(2,666)	-	-	-	(10,850)
Net Book Value B/fwd	265,915	58,361	553	3,400	4,072	1,246	1,596	335,143
Net Book Value at 31 March 15	269,689	58,096	498	3,395	4,072	1,108	6,487	343,345

Depreciation

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

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

20. SURPLUS ASSETS

Fair Value Hierarchy

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

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

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

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

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

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

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

21. HERITAGE ASSETS

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

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

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

Historic Sites & Buildings

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

Rosewall Sculpture

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

Mayoral Regalia

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

Civic Plate, Paintings & Porcelain

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

additions or disposals have occurred since the valuation was prepared. The Civic Porcelain was valued by the Authority's own staff in March 2010.

Museum Collection

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

Assets not included in the Balance Sheet

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

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

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

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

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

Except for recent acquisitions, reliable information on cost is not available. In general, conventional valuation approaches would not be suitable owing to the sheer number and diversity of items, coupled with the unique and irreplaceable nature of many of the

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

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

Assets included in the Balance Sheet

Historic Buildings

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

War Memorials/Monuments

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

Rosewall Sculpture

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

Mayoral Regalia/Civic Plate, Paintings & Porcelain

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

Museum Collection

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

<u>Summary of Transactions</u>	2015/16 £000	2014/15 £000
<u>Assets Carried at Valuation</u>		
Cost of acquisitions	-	-
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-
<u>Assets Carried at Cost</u>		
Cost of acquisitions	-	303
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-

22. **MOVEMENTS IN INTANGIBLE ASSETS**

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

<u>Purchased Software Licences</u>	2015/16 £000	2014/15 £000
Net Carrying Amount:		
Brought forward 1 April	356	236
Additions	283	141
Disposals	-	-
Amortisation for the period	(20)	(21)
Carried forward 31 March	619	356

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

<u>Analysis of Amortisation Charges</u>	2015/16 £000
Corporate and Democratic	20
Total	20

23. **CAPITAL COMMITMENTS**

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

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

24. **CAPITAL EXPENDITURE & FINANCING**

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

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

25. **INVESTMENT PROPERTIES**

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

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

Generally, there are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the revenue income and proceeds of disposal. The exceptions to this are as follows:

- Tapton House School was gifted to the authority and must be used for the benefit of the inhabitants of Chesterfield.
- Commercial and industrial units at Venture House and Prospect House were built by the authority but the construction was part funded by external grant funding. Net revenue income must be returned to these funding partners on an annual basis pro rata to the share of capital funding provided by them for the initial creation of the asset. Any proceeds on disposal of these assets would be returned on a similar basis.

The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement except for the Pavements Centre, Dunston Farm and Tapton House where there is an obligation to maintain and repair.

The following table summarises the movement in the fair value of investment properties over the year:

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

Fair Value Hierarchy

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

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

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

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

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

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

26. FIXED ASSET VALUATION

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

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

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

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

Except for those dwellings which the Authority leases out to other providers of social housing and a small number of impaired properties, the stock of council dwellings was re-valued as at 31st March 2016 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see note 4 on page 100).

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
Valued at historical cost		50	547		597
<u>Valued at current value</u>					
2015/16	280,382	26,388		84	306,854
2014/15	328	4,358			4,686
2013/14		5,962		1,108	7,070
2012/13	75	10,564			10,639
2011/12	927	20,168		41	21,136
Total Net Book Value	281,712	67,490	547	1,233	350,982

27. DEPRECIATION

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

28. IMPAIRMENT LOSSES

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

29. LONG TERM DEBTORS

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

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

30. LEASES

Authority as Lessee

Finance Leases

The Authority has no finance leases.

Operating Leases

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

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

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

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

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

Authority as Lessor

Finance Leases

The Authority has no finance leases.

Operating Leases

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

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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16, £340,000 contingent rents were receivable by the Authority (2014/15 £352,071).

31. INVENTORIES

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

32. DEBTORS

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

33. CASH & CASH EQUIVALENTS

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

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

34. ASSETS HELD FOR SALE

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

35. CREDITORS

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

36. PROVISIONS

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

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

D.L.O. Provision

Provision for potential future remedial works and losses.

Redundancy Provision

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

Transport Employee Pensions

The provision is being built up in order to meet the Council's liability in respect of pensions of former Transport Undertaking employees who were transferred to the private sector on privatisation. An independent actuarial review of this fund takes place every three years. The next review will be done as part of the triennial valuation process which is due to be completed during 2016.

Insurance Provision

All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2013 which suggested that the fund balance was adequate. The next review will take place during 2016/17.

MMI Provision

The Council was insured by MMI until 1993 when the Company went into administration. In March 2012 the Supreme Court found against MMI in the Employers' Liability Policy Trigger case. The ruling means that MMI are liable to pay compensation for mesothelioma cases where they were the insurer at the date of exposure to asbestos, rather than the insurer at the time the disease develops.

The judgement will have significant implications for the Company and the Scheme Creditors, of which the Council is one.

Because a solvent run-off is not possible, the Scheme of Arrangement has been triggered with claw back of some element of the claims paid since 1993 from the Council.

As at the 31st March 2016 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 25% of these claims and an appropriate provision has therefore been included in the accounts.

Non Domestic Rate Appeals

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

37. FINANCIAL INSTRUMENTS BALANCES

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

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

Fair Value of Financial Assets

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

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

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

38. FINANCIAL INSTRUMENTS INCOME, EXPENSE, GAINS/LOSSES

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value for financial assets and liabilities that are not measured at fair value included in level 3 above has been calculated using a discounted cash flow analysis. They can be assessed by calculating the present value of the cash flows

that will take place over the remaining term of the instruments, using the following assumptions:

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

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

40. NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS

The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority may not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by officers using policies approved by the Council in the treasury management strategy which is reviewed annually. This provides written principles for overall risk management and for specific subjects such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

For lending decisions taken in-house, the authority operates individual counterparty exposure limits by value (£5m with any one institution and a group limit of £7.5m for a number of institutions under one ownership).

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

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

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

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

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

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

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – interest expense charged to Comprehensive Income & Expenditure Statement will rise
- Borrowings at fixed rates – fair value of liabilities borrowings will fall
- Investments at variable rates – interest income credited to Comprehensive Income & Expenditure Statement will rise
- Investments at fixed rates – fair value of assets will fall

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

The authority has a number of strategies for managing interest rate risk. For 2015/16, the upper limit for exposure to variable rate debt was £70.0m (£72.5m in 2014/15).

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

Price Risk

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

Foreign Exchange Risk

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

41. **USABLE RESERVES**

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

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 23. A detailed breakdown of the Council's earmarked reserves is provided in Note 8. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

<u>Usable Capital Receipts Reserve</u>	2015/16 £000	2014/15 £000
Brought forward 1 April	700	429
Additions	4,238	4,662
Pooling liability	(941)	(831)
Financing of capital expenditure	(3,336)	(2,549)
Voluntary repayment of debt	-	(1,011)
Carried forward 31 March	661	700

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

42. UNUSABLE RESERVES

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

43. REVALUATION RESERVE

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

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

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

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

44. CAPITAL ADJUSTMENT ACCOUNT

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

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

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

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

45. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

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

46. PENSIONS RESERVE

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

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

47. DEFERRED CAPITAL RECEIPTS RESERVE

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

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

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

48. COLLECTION FUND ADJUSTMENT ACCOUNT

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

	2016 £000	2015 £000
Balance brought forward at 1st April	(1,840)	(397)
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	(153)	(1,443)
Balance at 31st March	(1,993)	(1,840)

49. ACCUMULATED ABSENCES ACCOUNT

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

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

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

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

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

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

52. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

53. CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

54. CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

55. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

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

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

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

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

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

Reconciliation to Subjective Analysis

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

2015/16	Portfolio analysis £000	Amounts not in analysis but in Cost of Services £000	Amounts in analysis not in Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	55,409	764	(4,399)	51,774	4,399	56,173
Government Grants	38,926	113	38	39,077	6,202	45,279
Recharges & Other Income	15,554	592	20	16,166	2,795	18,961
Interest & Investment Income	-	-	-	-	325	325
Income from Business Rates	-	-	-	-	2,681	2,681
Income from Council Tax	-	-	-	-	4,456	4,456
Total Income	109,889	1,469	(4,341)	107,017	20,858	127,875
Employee expenses	13,684	1,353	183	15,220	80	15,300
Other service expenses	70,754	776	(954)	70,576	1,073	71,649
Support service recharges	11,214	27	(252)	10,989	253	11,242
Depreciation, amortisation and impairment	16,905	(42)	(4,683)	12,180	4,683	16,863
Transfers to/from reserves	94	-	-	94	-	94
Interest payments	-	-	-	-	7,880	7,880
Precepts	-	-	-	-	357	357
Payments to Housing Capital Receipts Pool	-	-	-	-	941	941
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	1,086	1,086
Total Expenditure	112,651	2,114	(5,706)	109,059	16,353	125,412
(Surplus)/Deficit on Provision of Services	2,762	645	(1,365)	2,042	(4,505)	(2,463)

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

56. RELATED PARTY TRANSACTIONS

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

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

Central Government

The UK Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 55 on reporting for resources allocation decisions.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in Note 16. In addition, the Council paid grants totalling £274,695 to voluntary organisations in which 10 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

Subsidiary and Associated Companies

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

Other Arrangements

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

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

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

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

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

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

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

58. CHESTERFIELD & DISTRICT JOINT CREMATORIUM COMMITTEE

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

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

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

The following percentages have been applied:

Year	Chesterfield Borough Council	North East Derbyshire District Council	Bolsover District Council
2015/16	55%	31%	14%
2014/15	55%	31%	14%

The figures below show Chesterfield Borough Council's share of the Chesterfield & District Joint Crematorium's income, expenditure, assets and liabilities included in the Comprehensive Income & Expenditure Statement and Balance Sheet based on the split outlined above.

Income & Expenditure Account

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

Balance Sheet

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

59. TRUST FUNDS

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

Uncle Billy's Trust Fund	Income £000	Expenditure £000	Capital Value of Fund £000
2015/16	(3)	4	62
2014/15	(3)	5	67

60. THE ARVATO PARTNERSHIP

2015/16 is the sixth year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, human resources and payroll, IT, Facilities Maintenance, Asset Management and Invoice Processing together with call centre and reception services.

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

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

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31st March 2016 (excluding any estimation of inflation and performance deductions) are as follows:

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

61. CONTINGENT LIABILITIES

NNDR Appeals

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

Municipal Mutual Insurance

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

HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost.

The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

The Council had 9,487 dwellings available for rent during 2015/16. Its activities as a housing landlord must, by law, be shown in a separate account, the Housing Revenue Account. The law prescribes what must be included in this Account and prevents transfers to or from the General Fund except in closely defined circumstances.

1. RENT OF DWELLINGS

This is the total rent income collectable for the year after allowance is made for empty properties. During the year, £809,745 (2.12%) of rental income was lost due to vacant properties, in 2014/15 the figure was £626,531 (1.68%). The average weekly rent in 2015/16 was £84.58 (48 week year), an increase of £1.82 (2.2%) on the previous year.

2. HOUSING STOCK

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

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

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

3. RENT ARREARS

Rent arrears at the year-end totalled £2,557,300. This compares with £2,307,064 at 31st March, 2015. A provision of £1,196,959 (£914,603 in 2014/15) has been made in the Balance Sheet for uncollectable housing rent debts.

4. VALUATION OF ASSETS

An annual desk top review of HRA assets was undertaken as opposed to a comprehensive revaluation as at 31st March 2016 in accordance with the 'DCLG's Guidance on Stock Valuation for Resource Accounting'. The review comprised updating the valuations for residential property by applying selective indices of property prices, adjusted to reflect local market conditions in Chesterfield and comparison with valuation evidence, analysed down to estate level. The figure for 31st March 2015 excludes depreciation and disposals over the period.

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

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

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

5. HRA CAPITAL EXPENDITURE & FINANCING

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

6. HRA CAPITAL RECEIPTS

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

7. DEPRECIATION

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

8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

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

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

9. MAJOR REPAIRS RESERVE

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

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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

COLLECTION FUND

NOTES TO THE ACCOUNTS

1. COUNCIL TAX

The Council's Tax Base i.e. the number of chargeable dwellings in each band converted to an equivalent number of Band D dwellings was calculated as follows:-

Band	Estimated No. of Properties	Ratio	Band D Equivalents
A disabled	30	5/9	17
A	16,341	6/9	10,894
B	8,147	7/9	6,336
C	5,269	8/9	4,683
D	3,340	9/9	3,340
E	1,619	11/9	1,979
F	504	13/9	729
G	192	15/9	320
H	11	18/9	22
Totals	35,453		28,320
Less adjustment for collection rate			(538)
Council Tax Base			27,782

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

2. BUSINESS RATES

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

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

The Council is responsible for collecting business rates due in its area. In previous years the proceeds were paid into the N.N.D.R. Pool administered by the Government. The Government redistributed the sums paid into the Pool back to local authorities through the Formula Grant process each year.

From 2013/14, this has been replaced by the Business Rate Retention Scheme. Income collected is now shared between the Council, Central Government and major preceptors in proportions laid down by Government. Councils are now able to retain a share of any growth in business rate income.

The total non-domestic rateable value at 31st March 2016 was £90,095,630 (£89,704,561 as 31st March 2015).

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

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

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

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated surplus of £658,115 was assumed when setting the Council Tax for 2016/17. The additional surplus of £103,479 will be recovered in the tax calculation for 2017/18.

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

The surplus attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed in the tax calculation in 2017/18 is subsequently reversed out and included in the balance sheet as part of Unusable Reserves. The proportion of the collection fund attributable to the three precepting authorities is included in the accounts as a debtor.

4. COLLECTION FUND SURPLUS/(DEFICIT) – BUSINESS RATES

From 2013/14, surpluses or deficits relating to Business Rates are shared between Derbyshire County Council, Derbyshire Fire Authority, Central Government and the Borough Council in proportions fixed by Government. A deficit of £4,628,766 was assumed in the calculation of business rate income in 2016/17. The additional deficit of £552,178 will be recovered in the income calculation for 2017/18.

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

The deficit attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed is subsequently reversed out in the balance sheet as part of Unusable Reserves. The proportion of the collection fund attributable to the other recipients is included in the accounts as a debtor.

5. **IMPAIRMENT OF DEBTS – WRITE OFFS & ALLOWANCES**

The arrears figure for Council Tax and Business Rates is disaggregated into an age profile with an assessment of the likelihood of recovery of the outstanding amounts for each year. This assessment is carried out using evidence of local patterns of collection and historical experience.

Individual assessments are carried out for council tax and business rate arrears to reflect the different types of customer and the different characteristics of each of these debt classifications.

The movements on the impairment provisions are shown below:

COLLECTION FUND – IMPAIRMENT ALLOWANCE				
Tax	Brought Forward	Write-offs in the year	Increase / (Decrease) in allowance	Carried Forward
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Business Rates	821	(821)	635	635
Council Tax	2,186	(138)	214	2,262
Total	3,007	(959)	849	2,897

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

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

The movements on the appeals provision are shown below:

COLLECTION FUND – APPEALS PROVISION			
Brought Forward	Applied in year	Contribution to provision in year	Carried Forward
£000	£000	£000	£000
4,519	(1,276)	1,401	4,644

7. **PRECEPTS**

Details of the major precepts on the fund are shown in the expenditure section of the account. The precept paid to Chesterfield Borough Council includes £356,773 parish precepts (Staveley £309,820 and Brimington £46,953).

AUDITORS REPORT (Covering pages 22 - 108)

Expected by 30th September 2016