



**CHESTERFIELD**  
BOROUGH COUNCIL



# **Statement of Accounts 2020/21 (Subject to audit)**

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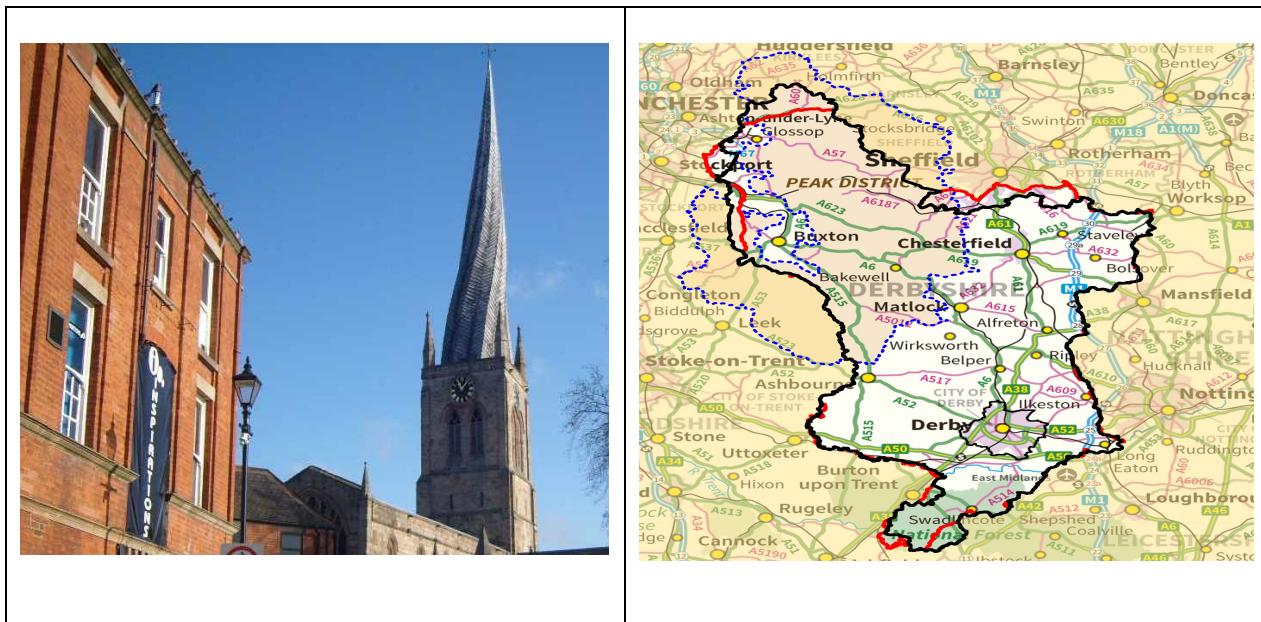
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# **NARRATIVE REPORT**

## **AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL**

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

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



Chesterfield Borough is home to 104,837 people (2019 estimate, ONS) with Chesterfield town the second largest settlement in Derbyshire (Derby City is the largest). It is a relatively compact and mainly urban borough. In addition to Chesterfield, there are several other key neighbourhood centres; the largest being Staveley and Brimington. Staveley lies on the eastern side of the borough, approximately five miles from Chesterfield town centre – it is linked to the M1 and Chesterfield by the A619.

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

### **Economic Profile**

- 51,000 people work in the Borough with high levels of employment in the public sector (31%) and retail and wholesale (22%), whilst manufacturing now accounts for 8% of employment. Over the last 5 years local employment has increased by 6%, which is broadly in line with the increase seen at the national scale of 7%.

- Chesterfield Town Centre is ranked as the 125<sup>th</sup> largest centre in the country for comparison retail shopping with a market potential of £186m and a shopper population of 105,000. Tourism makes an important and growing contribution to the local economy, with Chesterfield attracting 4.0m visitors in 2019 with an economic impact of £204m, supporting 2,350 jobs.
- In 2020 there were 3,360 businesses based in Chesterfield. Over the five year period (2015-20), the stock of businesses has increased by 5% (+170 businesses), although this is lower rate than the increase seen both regionally (12%) and nationally (12%).
- Unemployment currently stands at 5.6% (April 2021) and has increased significantly over the last year (+75%) due to the impact of the Covid-19 pandemic (national lockdowns and the introduction of social distancing measures). Whilst this is a large increase, it is below the rate of increase seen nationally (+105%), suggesting a higher degree of resilience in the local employment base. For example, Chesterfield has a high level of employment in public sector health services and a lower proportion of employment in Covid-19 vulnerable sectors such as hospitality and leisure.

## **Key challenges**

The latest indices of multiple deprivation figures, health profile, official labour market statistics (NOMIS) and child poverty statistics indicate that despite extensive investment to grow Chesterfield's economy, our communities are still struggling to access the proceeds of growth due to a variety of factors including poor health, caring responsibilities and poor educational and skills attainment. Improving these outcomes for our communities has been a key driver in developing our Council Plan 2019 - 2023 priorities.

Key statistics include:

- An estimated 5,600 children living in poverty
- 9.8 years difference in life expectancy between the most deprived areas of Chesterfield compared to the least deprived
- Over 1,000 people per annum presenting as homeless
- Chesterfield Borough is ranked as the 86<sup>th</sup> most deprived local authority area out of 317 but is ranked at 13 for health, 40 for employment and 64 for income

Our key challenges include:

- Covid-19 response and recovery in particular around economic, community and health and wellbeing
- The town centre faces a number of challenges including: maintaining a viable outdoor market; raising the quality of the retail and leisure offer; the growth of on-line retailing; and strong competition for consumer spend from surrounding centres such as Meadowhall and Sheffield
- The borough has a weaker occupational and skills profile, with fewer knowledge workers and more people with no qualifications than the national average
- A lower level of entrepreneurship, with fewer new start businesses per head of working age population than regional and national averages (7 per head in the borough, 10 per head nationally)
- The local economy has a bias towards lower-value and lower-growth employment sectors, and an under-representation of the fastest growing 'professional and business services' sector, impacting on future employment growth prospects

- The forecast increase in automation and digitalisation impacting on employment across a range of sectors: 20% of jobs could be displaced over the next 20 years, though new job roles will also be created
- A limited supply of employment land available for immediate development and the costs and difficulty of bringing forward brownfield sites for development
- Increasing the rate of housing delivery and evidencing a five year supply of available housing sites
- A legacy of industrial restructuring: a high level of working age benefit claimants (particularly health related) and concentrated deprivation in some local communities

**Political Structure** – the Council's policies are determined by its Politicians and implemented by the Corporate Leadership Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 2 May 2019 the Labour Party remained in control. The 2020/21 political structure is as follows:

|                        | No.<br>Councillors |
|------------------------|--------------------|
| Labour Party           | 28                 |
| Liberal Democrat Party | 17                 |
| Independent            | 3                  |
| Total                  | 48                 |

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

The Local Government Boundary Commission is currently undertaking an electoral review of Chesterfield Borough Council. Following stage 1 of the review – Council size, the Commission has given a decision regarding Council size. The Council will reduce from 48 members to 40 from the May 2023 elections. Stage 2 of the review – warding patterns is currently underway.

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

**Employees** – the Council employed 923 full time equivalent staff as at the end of March 2021. This is a significant increase from last year. Since October 2010, some of the Council's functions have been delivered through a Public Private Partnership arrangement. This contract ended during 2020/21 and 168 staff have transferred back to the Council with those services now being delivered in-house. The Council has developed a Workforce Strategy which recognises the value and importance of Council staff in delivering services and achieving the Council's priorities.

## **NON-FINANCIAL PERFORMANCE**

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

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

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

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

### **Council Plan 2019 – 2023**

A four year Council Plan was developed for 2019 to 2023.

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

To ensure that we stay on track for delivering on the 2023 commitments we have developed annual delivery plans.

### **Council Plan 2020/21 progress and impact of Covid-19 on delivery**

The Covid-19 pandemic brought fast moving and unprecedented challenges to communities and organisations. Chesterfield Borough Council had to quickly reprioritise to ensure core services could be delivered, while supporting additional emergency planning, community response and economic measures.

Staff across the Council were re-deployed to support key Covid-19 response activities including ensuring key services such as the crematorium could be maintained but also to support new areas of work including business grant allocations, food and medicine deliveries, supporting testing facilities, town centre ambassadors and supporting the community and voluntary sector volunteering programmes. This re-prioritisation of resources and Covid-19 related safety measures including social distancing have had a significant impact on the Council's ability to deliver on elements of the delivery plan for 2020/21.

63% of milestones within the delivery plan for 2020/21 have been impacted by the Covid-19 pandemic to a medium to high extent. Despite this, 68% of the milestones were delivered by 31<sup>st</sup> March 2021 and a further 12% will be delivered by summer 2021.

Key outputs and outcomes for 2020/21 include:

- Building work commenced on the Northern Gateway Enterprise Centre in April 2020 with completion scheduled for July 2021. A walkthrough video has also been developed to give potential tenants a flavour of what the new enterprise centre will have to offer.
- Waterside regeneration - the first development in the Basin Square area commenced in October 2020. Construction is well underway, ground works are completed and steels are erected to full height on site. We are working closely with the main contractor and Chesterfield College to maximise the impact of the local labour clause and to support local supply chains. The site is also being utilised to support Chesterfield College students with their Construction Skills learning.
- Staveley Town Deal success with an extensive investment plan being developed to secure £25.2m in funds to deliver a range of ambitious regeneration and health and wellbeing projects for the area
- Delivery of the new Rough Sleepers Strategy including innovative partnership working to get ‘everyone in’ during the pandemic and develop wrap around intensive support to ‘keep everyone in’
- Phase 1 of the Environmental Scheme at Barrow Hill was completed in 2020/21. Phase 2 is now underway and progressing well. The scheme value is approximately £3.9m
- Developed and began delivery of the Housing Capital Programme which includes significant investment in improving thermal/energy efficiency of existing housing stock which will deliver over £13m of improvements by March 2023. This will also deliver major benefits for our tenants in terms of warmer homes with lower energy bills and as a result make a significant contribution to tackling fuel poverty
- Delivered our ambitious year 1 Climate Change Action Plan progressing key themes around homes and buildings, energy, transport, land use and engagement and communication
- Implemented the Derbyshire Care Leaver Offer including council tax support, housing policy changes and key worker activity plus enhanced leisure provision and promotion of fostering opportunities
- Successful return of Arvato and Kier Public/Private partnership services to Chesterfield Borough Council
- ICT improvement programme including windows 10 and office 365 rollout, Microsoft Teams rollout, new resilient internet connections, cloud migration of key systems, upgraded all network equipment, customer relationship management software and digital customer accounts.

### **Performance Management Framework**

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

## **FINANCIAL PERFORMANCE 2020/21**

### **Budget Process**

Before the start of the 2020/21 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The principal funding sources to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rental income. The grant income from the Government and the retained business rates income represent 53% of the General Fund Budget requirement with the remaining 47% coming from the Council Tax. The principal rent income comes from the Council's extensive industrial & commercial property portfolio. Other sources of income include the Council's sports centres, theatre and car parks.

The 2020/21 Council Budget was set at £10.6m and financed as follows:

|  | <b>Amount<br/>£'000</b> | <b>Proportion<br/>of total</b> |
|--|-------------------------|--------------------------------|
| Government Funding (Revenue Support Grant, retained business rates and other grants) | 5,664                   | 53%                            |
| Council Tax  | 4,958                   | 47%                            |
| <b>Total Budget (after savings target)</b>   | <b>10,622</b>           | <b>100%</b>                    |

The budget for 2020/21 which was set in February 2020 showed a deficit of £201k before allowing for the planned savings target. A savings target of £217k was set forecasting a surplus balance of £16k. The savings were to be delivered through ICT digital innovation and staffing and vacancy control. The Council has made good progress across these areas in delivering savings in 2020/21, despite dealing with the impact of Covid on both its ability to deliver services and on its financial position to achieve a surplus of £358k at the end of the year.

### **Revenue Budget Outturn**

The position at the end of the year was a General Fund surplus of £358k which was transferred to reserves. The main reasons for the increased surplus compared to the £16k surplus budget for 2020/21 included:

- Government financial assistance for local authority response to Covid19 (+£3,605k);
- Budget savings (+£256k);
- Net of all other variances (+£29k).  
Less:
  - Reduced income from fees and charges as a result of Covid19 (-£3,344k);
  - Recycling (-£204k).

Set out below is a summary of the outturn for 2020/21 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

## 2020/21 General Fund - Comparison of outturn with the original budget

|  | Original<br>Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|--|----------------------------|----------------|------------------|
| <b><u>Portfolios:</u></b>                              |                            |                |                  |
| Leader of the Council                                  | 34                         | <b>9</b>       | (25)             |
| Deputy Leader of the Council                           | 1,191                      | <b>1,195</b>   | 4                |
| Cabinet Member for Economic Growth                     | (621)                      | <b>(862)</b>   | (241)            |
| Cabinet Member for Town Centre & Visitor Economy       | 454                        | <b>1,290</b>   | 836              |
| Cabinet Member for Health and Wellbeing                | 7,754                      | <b>8,652</b>   | 898              |
| Cabinet Member for Housing                             | 1,054                      | <b>144</b>     | (910)            |
| Cabinet Member for Governance                          | 2,748                      | <b>2,478</b>   | (270)            |
| Cabinet Member for Business Transformation & Customers | 3,044                      | <b>3,680</b>   | 636              |
| Portfolio Net Expenditure                              | 15,658                     | <b>16,586</b>  | 928              |
| Transformation Savings                                 | (17)                       | <b>(17)</b>    | 0                |
| Direct Service Organisations (surplus)/deficit         | (971)                      | <b>(713)</b>   | 258              |
| Other - Non-Portfolio Expenditure/(Income)             | (354)                      | <b>(285)</b>   | 69               |
| <b>Service Expenditure</b>                             |                            |                |                  |
| Interest & Capital Charges                             | (3,320)                    | <b>(2,070)</b> | 1,250            |
| Government Grants                                      | 0                          | <b>(2,321)</b> | (2,321)          |
| Transfer to/(from) Reserves                            | (390)                      | <b>(464)</b>   | (74)             |
| Surplus/(Deficit) to/(from) Budget Risk Reserve        | 16                         | <b>358</b>     | 342              |
| <b>Total Expenditure</b>                               | <b>10,622</b>              | <b>11,074</b>  | <b>452</b>       |

The General Fund Working Balance was maintained at £1.5m during 2020/21.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 29 and 31 presents this same information but in the format specified by the Code for external reporting purposes.

### **Housing Revenue Account**

The Council continues to be the major provider of rental accommodation in the Borough, with 8,972 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 2020/21 is set out on pages 104 to 110 and shows a decrease to the HRA balance of £4,273,117 due mainly to funding of the capital programme from revenue.

## **Direct Service Organisations**

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated three Direct Service Organisations (DSOs) during 2020/21 which generated a combined surplus of £736,745.

## **Capital Spending in 2020/21**

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

Capital expenditure on General Fund services totalled £12.3m. The main projects included:

- ◆ ICT development - £0.7m
- ◆ HS2 Station Masterplan - £1.8m
- ◆ Parks/Play area upgrades - £0.1m
- ◆ Northern Gateway development - £3.3m
- ◆ Waterside Development - £1.7m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £0.6m
- ◆ Car Park improvements - £0.4m
- ◆ Staveley Town Deal - £0.5m
- ◆ Revitalising the Heart of Chesterfield - £0.2m
- ◆ Waste Collection vehicles - £1.6m
- ◆ Hollis Lane Link Road - £1.2m
- ◆ Other - £0.2m

A large proportion of the General Fund Capital Programme was funded from borrowing, £6.6m in 2020/21. The remainder was financed from grants and contributions (£5.6m) and reserves (£0.1m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £19.1m of which £11.6m was financed from the Major Repairs Reserve, £3.4m from capital receipts and £4.1m from revenue balances.

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

Total long-term debt outstanding at the end of the year amounted to £123.5m. This should be viewed in relation to the Council's assets which have a net book value of £498m.

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

## **Pension Costs**

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£103.2m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities. Changes in pension scheme valuations and the scheme assumptions can have a material effect on the reserve. A triennial revaluation of the Derbyshire County Council Local Government pension scheme was conducted in 2019/20. Note 16 provides more information along with pension assets and liability details.

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

## **Reserves & Balances**

The Council reserves are set out in Note 11. The level of reserves and annual contributions to those reserves were reviewed during 2020/21.

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

- £1.8m as a provision for significant revenue budget risks
- £0.3m in a Service Improvement Reserve and
- £0.7m in a Service Redesign reserve

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates. The balance on this reserve is £9.5m. However, £7.9m of this is earmarked to meet the business rate element of the Collection Fund deficit in 2021/22 (see note 11 for further information).

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

There is a balance of £20.5m on the Housing Revenue Account at the year-end which will be needed in future years to finance capital improvement works. The Council has a policy of maintaining a minimum £3m HRA working balance.

## **Covid19 – Impact on the Borough**

Throughout the year, the Covid19 pandemic and the associated lockdowns and restrictions have had a significant impact on the Council, its residents and businesses.

A number of our facilities had to be closed at various times during the year including our sports centres and venues and the pandemic severely curtailed our events and entertainment programmes, but all critical services have continued throughout the year and our customer service centre was able to continue to provide a full service as a result of ICT solutions to facilitate delivery by staff working from home.

Staff in most office based services were asked to work from home throughout the pandemic with meetings hosted via Microsoft Teams.

The environmental health teams were involved in compliance and enforcement activities to protect the public.

The housing team were successful in implementing the government initiatives of 'Everyone In' and 'Keeping Everyone In' to ensure that all rough sleepers had the offer of suitable permanent accommodation and wrap around support services during the pandemic.

The capital programme for both the General Fund and HRA were adversely impacted with delayed starts on site creating slippage on some schemes. Repairs to our council houses were also prevented or delayed due to restrictions on contractors being able to carry out internal works.

The Council was successful in implementing arrangements for the operation of remote meetings involving member level decision making and this method of delivery increased the level of interest in local democracy with increasing numbers of the public watching meetings of Cabinet and Council in particular on You Tube during the year.

Our revenues and benefits teams and economic development unit were heavily involved in processing payments to businesses and individuals and in signposting businesses to further assistance to mitigate the impact of the various lockdowns and restrictions on their continuing viability.

The Council has administered a range of Covid19 related business grant schemes and allocated council tax hardship payments to council tax payers, made payments to individuals for test and trace support and administered a range of additional business rate relief to businesses principally in the retail and hospitality sectors. The table below shows the main sources of financial support provided by Government to support businesses, individuals and the Council during 2020/21.

|   | Amount Received in 2020/21 | Amount Paid at 31/3/2021     |
|---|----------------------------|------------------------------|
| Business Support Grants (BEIS)                | £15.693m for businesses    | £13.140m in grants           |
| Test & Trace support payments (DHSC)          | £0.176m for individuals    | £0.122m in payments          |
| Council Tax Hardship relief (MHCLG)           | £1.191m for individuals    | £0.841 relief against bills  |
| Expanded Retail Discount (MHCLG)              | £27.232m for businesses    | £27.232 relief against bills |
| Financial Support to Local Government (MHCLG) | £1.829m                    | Not applicable               |
| Sales, Fees & Charges Compensation (MHCLG)    | £2.749m                    | Not applicable               |
| Tax Income Guarantee – Business Rates (MHCLG) | £0.467m                    | Not applicable               |
| Tax Income Guarantee – Council Tax (MHCLG)    | £0.035m                    | Not applicable               |

The Council approved two new recovery plans in 2020 to help mitigate the impact of Covid on our residents and businesses. The first in July was an economic recovery plan focussing on the needs of businesses with particular emphasis on signposting to other agencies able to provide practical help. The Council also put in place £500k over the next two years for activities and initiatives to assist the local economy by the realignment of approved budgets together with the government grants to support the reopening of the town centre.

The second in September endorsed an approach to community recovery working with partners across the borough in supporting and providing community wellbeing.

### **Covid19 – Financial Impact**

The impact of Covid19 has created substantial financial pressures on the council's budget, with additional spending pressures and significant losses of income particularly from car parks and leisure. The Government have provided a package of financial assistance to support local authorities and the council has taken advantage of all opportunities to claim

financial assistance particularly making use of the furlough scheme and the sales, fees and charges compensation scheme.

The impact of the pandemic continues to influence our financial position in 2021/22. Key revenue streams remain under pressure. Government compensation schemes are in place for the first quarter of the year but the future remains uncertain in terms of the economy, the ability of people to pay commercial rents, business rates and council tax, and the speed at which customers will return to our car parks, leisure centres and cultural venues and whether we will achieve pre Covid19 levels of attendance.

### **Medium Term Outlook**

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

The HRA outturn for 2020/21 was a £4.3m reduction in its working balance to fund an extensive programme of council house improvements. The HRA account has a sustainable plan with forecast balanced budgets in all years in the short to medium term. A 2017 stock condition survey showed that Chesterfield homes met the decent homes standard. The Council has regeneration and house building plans developed to continue to spend HRA capital and revenue funds. A further stock condition survey is planned for 2021. Voids turnover times have been adversely impacted by the pandemic and measures to improve performance are ongoing in 2021.

The Council's Medium Term Financial Plan General Fund budget forecast produced in February 2021 shows a budget deficit of £188k in 2021/22 and deficits of up to £0.3m in future years. These deficits include assumed savings from the ICT digital innovation programme and the savings action plan. Further work has begun to identify new savings opportunities to address the remaining identified deficits.

The Council will invest significantly in IT across the next seven years. This will enable more agile working, robust IT infrastructure, 'Cloud' computing and efficiency and economy savings. In addition, budgets are being tightly managed to control and reduce spend.

The Council has recently introduced an Organisational Development programme with seven key themes which it expects will help to deliver further savings and drive out efficiencies.

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

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

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

- a) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;
- b) Changes to the key Central Government funding sources such as the Business Rates Retention schemes;
- c) Changes to the regional and national economy impacting on our trading income; and
- d) The impact of the Fair Funding review and the 2021 Autumn Spending review.

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 are coming under increasing pressure and can only be used once. Further borrowing (alongside asset disposals) will be required to make capital and operational investments to transform services and grow new income sources. The focus will continue to be on reducing the base budget, by both reducing expenditure and increasing income.

### **Corporate Risks and Uncertainties**

The Council has established procedures for managing risk. Operation level risks are managed at the service level through the service planning and monitoring arrangements.

The higher level, corporate risks, which can impact on the Council's ability to deliver its strategic priorities, are managed through the Corporate Risk Register arrangements. The Corporate Risk Register is approved and monitored at the highest levels within the Council, by the Corporate Leadership Team, the Cabinet, Standards & Audit Committee and the full Council.

The key corporate risks include delivering savings and producing a sustainable budget, current legislation (e.g. data security, procurement, health and safety, safeguarding, etc.) and organisational issues (workforce development, procurement and contract management, information technology, emergency planning and business continuity including our response to the Covid19 pandemic).

### **Summary**

In 2020/21 the Council continue to make progress in addressing the financial challenges it faced and in meeting its Council Plan targets particularly given the unique challenges that the pandemic has introduced.

The General Fund revenue outturn with a £358k surplus was £342k above the original forecast surplus for the year. The HRA ended the year with a working balance of £20.5m. An adequate level of General Fund reserves has been maintained which will help to provide financial resilience for 2021/22 and future years.

### **Further Information**

If you would like to receive further information about these accounts please contact the Chief Accountant at the Town Hall, Rose Hill, Chesterfield, Derbyshire, S40 1LP. Interested

members of the public have a statutory right to inspect the accounts. The dates on which the accounts are available for inspection are advertised annually on the Council's website.

Further information on non-financial performance data is available from the Service Director - Corporate.

**H FOX CPFA  
INTERIM SERVICE DIRECTOR - FINANCE**

**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 2020/21 and comprise:

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

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

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

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

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

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

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

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

## **RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required

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

### **The Service Director - Finance Responsibilities**

The Service Director - Finance 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 Service Director - Finance 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.

## **SERVICE DIRECTOR - FINANCE 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 2021.

**H FOX CPFA  
INTERIM SERVICE DIRECTOR - FINANCE**

## **ANNUAL GOVERNANCE STATEMENT**

### **Scope of Responsibility**

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

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

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

### **The Purpose of the Governance Framework**

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

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

The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2021 and up to the date of approval of the Statement of Accounts.

### **The Governance Framework**

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

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

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

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

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

## Covid-19

Coronavirus was categorised as a pandemic by the World Health Organisation on 11 March 2020 and this has impacted on the council for the whole of 2020/21. The Council's Business Continuity Plan was brought in to play and systems and processes were revised and introduced to focus efforts on the highest prioritised areas. These included: -

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

The following new activities were required during the response and recovery phases and have been coordinated through the council's tactical task and finish teams: -

- Provision of support to local pharmacies to deliver medicines and food parcels. Over 10,000 prescriptions were delivered by our staff.
- Provision of marshalling at Covid-19 testing stations.
- Delivery of the 'keeping people in' initiative.
- Delivery of business grants to Chesterfield businesses.
- Delivery of further Test and Trace grants within the community to those who are on low income and need to self-isolate.
- Delivery of the further phases of business grants generated by the need for a second and third national lockdown and movement to local tiered restrictions.
- Co-ordination and live streaming of virtual meetings.
- Development of new policies to support redeployment, furlough, flexible furlough and agile working.

In support of these activities, the Council has developed a central list of available resources, co-ordinated by the Human Resources business partners and have redirected those staff from 'closed' or low priority services to support the new activities. Those staff who were unable to work from home or be redeployed have been furloughed where they meet the criteria of the scheme.

Urgent changes were made to the delegation scheme within the Constitution to enable the Council to continue to make decisions in the exercise of its functions during the pandemic, including facilitating decisions by virtual meetings. These changes were approved by the Standards and Audit Committee. These arrangements have operated well and are deemed fit for purpose.

In September 2020 following the adoption of an economic recovery plan, Cabinet approved a strategic and community recovery approach aimed at supporting the borough in recovery from the impacts of Covid-19. This included four targeted recovery priorities:

Partnership and collaboration

Social connectedness

Young people

Carbon reduction

Three task and finish groups have been implemented to deliver recovery activities. These groups are focusing on the economy, community wellbeing and the safety of our workforce.

### **Governance Arrangements**

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

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. A significant amount of work is progressing across the partnerships in Chesterfield and Derbyshire to understand the impacts of Covid-19 in more detail and to develop targeted activities to tackle these impacts.

The Council is a member of D2N2 Local Enterprise Partnership (LEP) and a non constituent member of the Sheffield City Region mayoral combined authority.

We are a key partner in the East Midlands HS2 partnership which comprises of a cross party group of County, Borough, District and City Council leaders, two local enterprise partnerships, the East Midlands Chamber of Commerce, Midlands Connect and a range of other stakeholders. The prospect of an HS2 connection at Chesterfield station is already driving major regeneration of the town centre and adjacent commercial areas.

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

Chesterfield Borough Council has secured a forward funding agreement with the developer, Chesterfield Waterside Ltd, as a key strategic investment opportunity for the town. Funding for the delivery of the high quality office building was approved as part of

Chesterfield Borough Council's ambitious growth strategy. The investment is designed to kick-start the town's economic recovery from Covid-19 and will spearhead major developments around the train station as part of the council's HS2 Station Masterplan.

The new office building, known as No.1 Waterside Place, will provide office accommodation of the highest specification. It represents the first step in delivering the commercial element of Chesterfield Waterside's Basin Square neighbourhood.

Also, in terms of partnerships, the council have successfully managed the end of the Kier and Arvato public private partnerships with services and staff returning to CBC.

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

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

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

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

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

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

Chesterfield Borough Council has a risk management strategy, 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 corporate risk register has been updated during the year to reflect the risks created by the Covid-19 pandemic.

The ICT and digital improvement programme have continued to move at pace during the year. More end to end digital services are available, increased access channels are available for our residents and we have a stable and resilient ICT infrastructure. The ICT improvement programme has been fundamental to enabling services to continue during the Covid-19 pandemic.

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

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

This year the Corporate Management Team has been restructured and rebranded the Corporate Leadership Team. Roles and responsibilities have been reviewed in order to ensure that there is the right capacity and skills at the top level to take the council forward. This review will be extended to the tiers below in the coming year.

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

The Council has assessed its arrangements against the CIPFA Financial Management Code and is compliant with these. CIPFA's Financial Management Code (FM Code) was published in October 2019 and provides guidance for good and sustainable financial management in local authorities. The FM Code offers assurance that authorities are managing resources effectively, regardless of their current level of financial risk. The Code provides six principles against which to judge financial management (leadership, accountability, transparency, standards, assurance and sustainability). The principle of proportionality is embedded within the code and reflects a non-prescriptive approach. Full compliance with the Code is a requirement from 2021/22.

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

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including an internal and external Communication and

Engagement Strategy, the Council's website, the publication of "Your Chesterfield" four times a year which includes "Our Homes" for tenants and leaseholders and an annual Community Engagement Programme.

## **Review of Effectiveness**

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

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

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

It can be demonstrated that the Council's governance arrangements support the council's plan by the sheer volume of achievements. Although many targets have undoubtedly been affected by Covid-19, many continue to progress at pace. A few of the Council's achievements during the year are:

- Staff across the Council were re-deployed to support key Covid-19 response activities including ensuring key services such as the crematorium could be maintained but also to support new areas of work including business grant allocations, food and medicine deliveries, supporting testing facilities, town centre ambassadors and supporting the community and voluntary sector volunteering programmes.
- Construction has started on the Northern Gateway enterprise centre

- First phase of commercial development at Waterside.
- Successfully bidding for £2.4m in external funding to help secure maximum benefits from HS2 for Chesterfield communities and businesses.
- Progressing ambitious plans for the Heart of Chesterfield project including securing a further £650k in external funding to support market improvements.
- Refreshing the skills action plan and activities to ensure it responds to the significant employment and skills challenges emerging from the pandemic, in particular for young people.
- Rough sleepers strategy - the Covid-19 pandemic has placed an absolute focus on rough sleeping.
- The Everyone In and Keeping Everyone In requirements have improved access to support and accommodation.
- Year 2 of the five-year housing environmental schemes programme – improvement works at Grangewood are now complete. Phase 1 at Barrow Hill is complete with phase 2 progressing on time and within budget.
- Significant progress has been made on the climate change action plan against key areas including housing capital programme priorities, energy efficiency, tree planting etc.
- Core elements of the Derbyshire Care Leaver Offer are now in place including council tax support, housing policy changes and key worker activity plus enhanced leisure provision.
- Core elements of the Armed Forces Covenant action plan are now in place including revised leave policy for reservists, attained the Bronze Award in the Ministry of Defence's Employer Recognition Scheme, service concessions etc.

## **Internal Audit Opinion 2020/21**

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

In my opinion, reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2020/21.

Although Covid-19 has meant that less internal audit work has been undertaken than usual during the year, in my opinion, sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place.

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

## **A Review of 2019/20 Governance Issues**

As part of formulating the 2020/21 Annual Governance Statement a review of progress against the issues raised in 2019/20 has taken place. Whilst positive progress has been made, the impact of Covid-19 has delayed some actions. Where further action/monitoring

is required these areas have been carried forward to the 2020/21 Annual Governance Statement action plan which will be delivered through the 2021/22 municipal year.

## **Significant Governance Issues**

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Leadership Team have identified that there are some areas where action can be taken to improve the governance arrangements in place. The areas identified below either present significant future challenges and/or require further targeted improvements.

| No. | Issue Identified   | Action to address  |
|-----|--|--|
| 1.  | <b>Budget</b><br>Many budget risks continue from previous years: - <ul style="list-style-type: none"><li>• Business rate appeals</li><li>• ICT savings not being delivered</li><li>• The outcome of the Governments Fair Funding and changes to business rate funding is still not clear</li><li>• Staffing cost pressures</li><li>• Achieving income targets for rents, fees, charges and interest</li><li>• Delivering required budget savings</li><li>• Additional costs, unachieved savings targets and income reduction in terms of Covid-19 that may not be fully reimbursed by central government</li></ul> | <p>Need to continue to closely manage the Medium Term Financial Plan (MTFP) to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan. This will be achieved through the established mechanisms for financial planning and reporting:</p> <ul style="list-style-type: none"><li>• Finance and Performance Board</li><li>• Corporate Cabinet and Corporate Leadership team workshops</li><li>• Monthly budget monitoring reports to service managers</li><li>• Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum</li><li>• Regular dialogue with the trade unions</li><li>• Looking at how to increase the income levels of services such as venues and leisure centres</li></ul> <p>There will also be a range of activities to inform and shape the quarterly review of the MTFP:</p> <ul style="list-style-type: none"><li>• Horizon scanning to identify future pressures and opportunities (ongoing)</li><li>• Assessing implications of external pressures e.g. local government finance review/fair funding, new homes bonus and business rate changes (ongoing)</li><li>• Delivery of savings identified in Action Plan during 2021/22 (ongoing)</li><li>• Delivery of the savings targets included in the budget and meeting income targets</li></ul> |

|   |  |  |
|---|--|--|
|   |  | <p>(ongoing)</p> <ul style="list-style-type: none"> <li>Ensuring all opportunities for external funding to mitigate impact of pandemic on organisation are identified</li> </ul>   |
| 2 | <p><b>Asset Management</b></p> <p>The Council needs to improve the way in which it manages its assets: -</p> <ul style="list-style-type: none"> <li>Introduction of a new IT system</li> <li>Development of a 10-year maintenance plan based on condition surveys and supported by the budget.</li> <li>Disposal of assets that are no longer required</li> </ul>  | <p>The Council's Asset Management Group are in the process of ascertaining the complete picture for future maintenance plans and repairs budget requirements.</p> <p>As the costs become clearer, decisions will be required to rationalise poor quality assets, increase contribution to the property repairs fund or to borrow for major capital repairs. Options for funding of the works will be required and progressed through the appropriate governance structure.</p> <p>This work is being taken forward as a priority and the target for a report being prepared is by September 2021 which will contain recommendations for consideration by stakeholders.</p> <p>The asset management system will be replaced as part of the ICT improvement programme.</p> |
| 3 | <p><b>Workforce Capacity and capability</b></p> <p>Ongoing budget challenges and service demands mean that the Council will need to continue to manage workforce capacity and capability.</p> <p>This year the top three tiers of the staffing structure have been reviewed and there is now a new Corporate Leadership team in place.</p> <p>Capacity issues remain at lower tiers and these are in the process of being addressed.</p> | <p>The people plan 2019 – 23 is in the process of being implemented and aims to develop great leaders, manage change well, develop capacity and skills, support employee wellbeing and promote recognition and reward.</p> <p>The Corporate Leadership Team will review staffing structures beneath them particularly tiers 4 and 5.</p> <p>There will be a review of staff subject to red book terms and conditions.</p> <p>Vacancy control processes will continue to be followed ensuring that service demands can be met whilst managing budget. This will be managed together with a renewed Voluntary Redundancy Programme, as set out in the savings action plan.</p>   |
| 4 | <p><b>Project and programme management / decision making / governance processes.</b></p>   | <p>A paper on the organisational development strategy is going to Cabinet in April 2021. This paper will include a Corporate Project</p>   |

|   |  |   |
|---|--|---|
|   | <p>As the Council's ambitions have developed and increasing numbers of projects have been started, governance arrangements to ensure effective project management have not been implemented consistently across the Council.</p> <p>Work in this area has been delayed due to Covid-19</p>   | <p>Management Framework for approval.</p> <p>The Framework provides strategic direction, processes, governance and tools to support the corporate development and management of projects across the Council.</p> <p>The Corporate Project Management Framework will be implemented and go live from August 2021</p>   |
| 5 | <p><b>Procurement</b></p> <p>A lot of work has been undertaken in this area:-</p> <ul style="list-style-type: none"> <li>• Adoption of a procurement strategy</li> <li>• Agreement to bring the procurement service back in house by Cabinet (January 2021)</li> <li>• New E-Procurement system purchased and live from the 1<sup>st</sup> January 2021</li> <li>• Training is being rolled out to all relevant officers</li> </ul> <p>The new systems and processes will take time to embed</p> | <p>A new in-house procurement team will be appointed.</p> <p>All relevant officers will have completed training on the new procurement system and processes by November 2021.</p> <p>A Procurement plan is being developed in accordance with new strategic approach.</p> <p>Internal performance management to be developed within new CBC Procurement team.</p> |
| 6 | <p><b>Health and Safety</b></p> <p>Good progress has been made on the recovery plan and with the Health and Safety Committee however capacity issues remain that need addressing to ensure that a comprehensive corporate function is provided.</p>  | <p>A review will take place to ensure that there is the right capacity and competencies in place.</p>   |
| 7 | <p><b>Covid-19 / Recovery / impact on the community</b></p> <p>The Council's Business Continuity Plan has been utilised to focus efforts on the highest prioritised areas.</p> <p>The Council has been successful in keeping key services running and looking after the community and its own staff.</p> <p>The challenge ahead is to aid economic recovery and to support the community in its recovery.</p> <p>In September 2020 Cabinet approved a strategic and community recovery</p>       | <p>The Council will ensure that it plays a key role in helping the community to recover.</p> <p>The Council will progress its economic development plans and community recovery approach.</p>   |

|  |  |
|--|--|
| approach aimed at supporting the borough in recovery from the impacts of Covid-19. This included four targeted recovery priorities:<br>Partnership and collaboration<br>Social connectedness<br>Young people<br>Carbon reduction |  |
|--|--|

**Signed:**

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H Bowen  
Chief Executive

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Councillor T Gilby  
Leader of Chesterfield Borough Council

**Date:**

## MOVEMENT IN RESERVES STATEMENT

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

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

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

## MOVEMENT IN RESERVES STATEMENT

|  | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|---------------------------|------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|------------------------|---------------------|
| Balance at 31st March 2019 carried forward (notes 11, 39 & 40)                   | 12,926                    | 29,377                       | 5,256                         | -                          | 3,217                         | 50,776                     | 254,948                | 305,724             |
| <b>Movement in reserves during 2019/20</b>                                       |                           |                              |                               |                            |                               |                            |                        |                     |
| Total Comprehensive Income & Expenditure   | (11,116)                  | (31)                         | -                             | -                          | -                             | (11,147)                   | 29,107                 | 17,960              |
| Adjustments between accounting basis & funding basis under regulations (note 10) | 12,297                    | (4,568)                      | (1,163)                       | -                          | 1,038                         | 7,604                      | (7,604)                | -                   |
| <b>Net Increase/(Decrease) in 2019/20</b>  | 1,181                     | (4,599)                      | (1,163)                       | -                          | 1,038                         | (3,543)                    | 21,503                 | 17,960              |
| Balance at 31st March 2020 carried forward (notes 11, 39 & 40)                   | 14,107                    | 24,778                       | 4,093                         | -                          | 4,255                         | 47,233                     | 276,451                | 323,684             |
| <b>Movement in reserves during 2020/21</b>                                       |                           |                              |                               |                            |                               |                            |                        |                     |
| Total Comprehensive Income & Expenditure   | 1,004                     | (12,788)                     | -                             | -                          | -                             | (11,784)                   | (10,844)               | (22,628)            |
| Adjustments between accounting basis & funding basis under regulations (note 10) | 11,620                    | 8,475                        | (700)                         | -                          | 1,266                         | 20,661                     | (20,661)               | -                   |
| <b>Net Increase/(Decrease) in 2020/21</b>  | 12,624                    | (4,313)                      | (700)                         | -                          | 1,266                         | 8,877                      | (31,505)               | (22,628)            |
| Balance at 31st March 2021 carried forward (notes 11, 39 & 40)                   | 26,731                    | 20,465                       | 3,393                         | -                          | 5,521                         | 56,110                     | 244,946                | 301,056             |

## **COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

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

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

The Statement has two sections.

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

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

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2019/20   |                |                            | Portfolio   | 2020/21             |                |                            |
|---|----------------|----------------------------|---|---------------------|----------------|----------------------------|
| Expenditure<br>£000                               | Income<br>£000 | Net<br>Expenditure<br>£000 |   | Expenditure<br>£000 | Income<br>£000 | Net<br>Expenditure<br>£000 |
| 260   | (54)           | 206                        | Leader of the Council   | 308                 | (101)          | 207                        |
| 5,281   | (310)          | 4,971                      | Deputy Leader of the Council  | 3,079               | (256)          | 2,823                      |
| 2,615   | (4,133)        | (1,518)                    | Cabinet Member for Economic Growth                                      | 6,627               | (7,563)        | (936)                      |
| 8,938   | (7,468)        | 1,470                      | Cabinet Member for Town Centre and Visitor Economy                      | 7,015               | (7,855)        | (840)                      |
| 14,120  | (7,330)        | 6,790                      | Cabinet Member for Health and Well Being                                | 14,058              | (6,589)        | 7,469                      |
| 1,538   | (1,371)        | 167                        | Cabinet Member for Housing  | 1,632               | (1,529)        | 103                        |
| 6,234   | (1,379)        | 4,855                      | Cabinet Member for Governance   | 4,358               | (1,443)        | 2,915                      |
| 33,559  | (29,779)       | 3,780                      | Cabinet Member for Business Transformation & Customers                  | 33,953              | (30,353)       | 3,600                      |
| <b>COST OF GENERAL FUND SERVICES</b>              |                |                            |   |                     |                |                            |
| 72,545  | (51,824)       | 20,721                     |   | 71,030              | (55,689)       | 15,341                     |
| 28,815  | (36,157)       | (7,342)                    | Local Authority Housing (HRA)   | 42,896              | (36,100)       | 6,796                      |
| 101,360   | (87,981)       | 13,379                     | <b>COST OF SERVICES</b>   | 113,926             | (91,789)       | 22,137                     |
| 4,058   | -              | 4,058                      | Other operating expenditure (Note 12)                                   | 2,549               | -              | 2,549                      |
| 12,192  | (6,334)        | 5,858                      | Financing & investment income & expenditure (Note 13)                   | 8,173               | (4,624)        | 3,549                      |
| -   | (12,149)       | (12,149)                   | Taxation & non-specific grant income (Note 14)                          | -                   | (16,451)       | (16,451)                   |
| <b>(Surplus)/Deficit on Provision of Services</b> |                |                            |   |                     |                | 11,784                     |
|   |                | (2,948)                    | (Surplus)/deficit on revaluation of Property, Plant & Equipment         |                     |                | (27,249)                   |
|   |                |                            | (Surplus)/deficit on revaluation of available for sale financial assets |                     |                | -                          |
|   |                | (26,158)                   | Actuarial (gains)/losses on pension liabilities                         |                     |                | 38,093                     |
|   |                | (29,106)                   | <b>Other Comprehensive Income &amp; Expenditure</b>                     |                     |                | 10,844                     |
|   |                | (17,960)                   | <b>Total Comprehensive Income &amp; Expenditure</b>                     |                     |                | 22,628                     |

## **BALANCE SHEET**

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

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

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

**BALANCE SHEET AS AT 31ST MARCH 2021**

| 2019/20<br>£000 |  | 2020/21<br>£000  | Notes   |
|-----------------|--|------------------|---------|
| 344,940         | Council Dwellings                            | 357,178          | )       |
| 73,543          | Other Land & Buildings                       | 71,860           | )       |
| 1,176           | Vehicles, Plant, Furniture & Equipment       | 4,157            | 20,21   |
| 2,193           | Infrastructure Assets                        | 1,955            | 23,24   |
| 4,072           | Community Assets                             | 4,072            | 26      |
| 8,053           | Assets Under Construction                    | 19,099           | )       |
| 1,411           | Surplus Assets Not Held for Sale             | 1,393            | )       |
| 435,388         | <b>Property, Plant &amp; Equipment</b>       | <b>459,714</b>   |         |
| 2,902           | Heritage Assets                              | 2,899            | 22      |
| 36,798          | Investment Properties                        | 34,592           | 25      |
| 140             | Intangible Assets                            | -                |         |
| 507             | Long Term Debtors                            | 864              |         |
| 475,735         | <b>Long Term Assets</b>                      | <b>498,069</b>   |         |
| 7,500           | Assets Held for Sale - Investment Properties | 9,006            | 32      |
| 28,104          | Short Term Investments                       | -                |         |
| 219             | Inventories                                  | 242              |         |
| 10,368          | Short Term Debtors                           | 23,212           | 30      |
| 14,142          | Cash & Cash Equivalents                      | 32,433           | 31      |
| 60,333          | <b>Current Assets</b>                        | <b>64,893</b>    |         |
| (1,971)         | Short Term Borrowing                         | (1,943)          |         |
| (16,859)        | Short Term Creditors                         | (24,286)         | 33      |
| (1,459)         | Short Term Provisions                        | (1,481)          | 34      |
| (1,563)         | Cash Overdrawn                               | (2,401)          | 31      |
| (21,852)        | <b>Current Liabilities</b>                   | <b>(30,111)</b>  |         |
| (125,373)       | Long Term Borrowing                          | (123,489)        |         |
| (3,335)         | Long Term Provisions                         | (3,643)          | 34      |
| (61,373)        | Net Pension Scheme Liabilities               | (103,222)        | 16 & 43 |
| (309)           | Other Long Term Liabilities                  | (299)            |         |
| (142)           | Capital Grants Receipts in Advance           | (1,142)          | 18      |
| (190,532)       | <b>Long Term Liabilities</b>                 | <b>(231,795)</b> |         |
| <b>323,684</b>  | <b>Net Assets</b>                            | <b>301,056</b>   |         |
| 47,233          | Usable Reserves                              | 56,110           | 11 & 39 |
| 276,451         | Unusable Reserves                            | 244,946          | 40 - 46 |
| <b>323,684</b>  | <b>Total Reserves</b>                        | <b>301,056</b>   |         |

## 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

| <b>2019/20<br/>£000</b> |  | <b>2020/21<br/>£000</b> |
|-------------------------|--|-------------------------|
| 11,146                  | Net (surplus)/deficit on provision of services   | 11,785                  |
| (29,151)                | Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 47)   | (43,986)                |
| 7,208                   | Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 48) | 10,483                  |
| (10,797)                | Net cash flows from Operating Activities (Note 49)   | (21,718)                |
| 19,684                  | Investing Activities (Note 50)   | (11,720)                |
| (1,481)                 | Financing Activities (Note 51)   | 15,985                  |
| <b>7,406</b>            | <b>Net increase/decrease in cash and cash equivalents</b>  | <b>(17,453)</b>         |
| (19,985)                | Cash and cash equivalents at beginning of reporting period   | (12,579)                |
| <b>(12,579)</b>         | <b>Cash and cash equivalents at end of reporting period (Note 31)</b>  | <b>(30,032)</b>         |

## **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 2020/21 financial year and its position at the year end 31<sup>st</sup> March 2021.

The Accounts and Audit Regulations 2015 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

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

#### **1.2 ACCRUALS OF EXPENDITURE & INCOME**

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

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

A further exception relates to wages. Only 52 weeks wages are included each year which means that the accounts do not include 1 day's pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2020/21 is a 52 week year for weekly payroll costs.

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

#### **1.3 CASH & CASH EQUIVALENTS**

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

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

## **1.4 INTERNAL INTEREST**

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

## **1.5 OVERHEADS**

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

## **1.6 EMPLOYEE BENEFITS**

### Benefits Payable During Employment

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

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

### Termination Benefits

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

### Post Employment Benefits

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

### The Local Government Pension Scheme

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

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

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

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

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

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

## **1.7 REVENUE RECOGNITION**

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

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

## **1.8 VALUE ADDED TAX**

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

## **1.9 EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

## **1.10 INVENTORIES**

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

## **1.11 RESERVES**

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

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

## **1.12 PROVISIONS**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made.

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

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

## **1.13 INVESTMENT PROPERTY**

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

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

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

## **1.14 PROPERTY, PLANT & EQUIPMENT**

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

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

Donated assets are measured initially at fair value. The difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income & Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated

Assets Account. Where gains are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

### **Non-current Assets Held for Sale**

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

for sale, the carrying amount of the asset is measured in accordance with the relevant section of the Code.

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

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

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

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

### **Disposals**

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

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

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

### **1.15 DEPRECIATION & IMPAIRMENT**

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

Depreciation charges are calculated as follows:

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

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

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

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

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

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

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

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

## **1.16 HERITAGE ASSETS**

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

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

accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

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

## **1.17 CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

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

## **1.18 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

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

## **1.19 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

#### Community Infrastructure Levy

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

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

## **1.20 LEASES**

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

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

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

#### Finance Leases

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

#### Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service using the leased property,

plant or equipment. Charges are made on a straight-line basis over the life of the lease.

#### The Authority as Lessor

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

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

## **1.21 FINANCIAL INSTRUMENTS**

#### Financial Liabilities

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

#### Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **1.22 INTEREST IN COMPANIES AND OTHER ENTITIES**

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

There were no group accounts identified for 2020/21.

## **1.23 JOINTLY CONTROLLED OPERATIONS**

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

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

## **1.24 CONTINGENT ASSETS/LIABILITIES**

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

## **1.25 PRIOR PERIOD ADJUSTMENTS**

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

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

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

## **1.26 FAIR VALUE MEASUREMENT**

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

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming that market participants would act in their economic best interest. When measuring the fair value

of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using or selling the asset in its highest and best use.

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

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

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

## **1.27 COUNCIL TAX AND NON-DOMESTIC RATES**

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

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

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

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

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

The Code of Practice on Local Authority Accounting for 2020/21 requires the disclosure of information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The relevant standards introduced are:

- Definition of a Business: Amendments to IFRS3 Business Combinations
- Interest Rate Benchmarking Reform: Amendments to IFRS9, IAS39 and IFRS7
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS6

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

Changes to IFRS16 Leases which requires local authorities that are lessees to recognise most leases on their balance sheet has been deferred for local government to 1<sup>st</sup> April 2022.

## **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.

## **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 31<sup>st</sup> March 2021, for which there is a significant risk of material adjustment in the forthcoming year are as follows:

| Item               | Uncertainties   | Effect if Actual Results Differ From Assumptions   |
|--------------------|---|--|
| Pensions liability | Estimation of the net liability to pay pensions depends on a number of complex judgements including mortality rates, expected return on fund assets and future salary rate increases. A firm of | These assumptions interact in complex ways. During 2020/21, the actuaries advised that the net pensions liability had decreased by |

|                             |   |   |
|-----------------------------|---|---|
|                             | actuaries are engaged by the pension fund administrator to advise on the assumptions to be applied.   | £2.876m because of estimates being corrected as a result of experience and increased by £75.342m attributable to updating their assumptions.  |
| Arrears                     | At 31 <sup>st</sup> March 2021, the Authority had a balance of sundry debtors of £5.4m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.7m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.   | If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £54k 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 £980k 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 21, 25 and 37.</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 1<sup>st</sup> April 2014. Local Authorities are now liable for a proportion of successful appeals against business rates in their proportionate shares. Therefore a provision has been recognised in the accounts to cover this liability. It is difficult to judge the size of the provision required due to the high level of uncertainty as to when and if the appeals will be decided and which appeals will be successful.

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

#### Impact of Covid19

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

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

### **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

The programme of capital expenditure on Council Housing remained high at £19.1m in 2020/21. This spending is aimed at maintaining dwellings at the decent homes standard. It is anticipated that this level of investment will continue next year.

### **6. EVENTS AFTER THE BALANCE SHEET DATE**

The statement of accounts was authorised for issue on 30/07/2021 by the Interim Service Director - Finance, Helen Fox CPFA. This is also the date up to which events after 31<sup>st</sup> March 2021 have been considered.

### **7. EXPENDITURE AND FUNDING ANALYSIS**

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

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

## Expenditure & Funding Analysis

| 2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances | 2019/20 Adjustment between Funding and Accounting Basis | 2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement | Portfolio  | 2020/21 Net Expenditure Chargeable to the General Fund and HRA Balances | 2020/21 Adjustment between Funding and Accounting Basis | 2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|--|---|---|---|
| £000  | £000  | £000  |  | £000  | £000  | £000  |
| 149   | 57  | 206   | Leader of the Council                                    | 157   | 50  | 207   |
| 8,084   | (3,113)   | 4,971   | Deputy Leader of the Council                             | 5,928   | (3,105)   | 2,823   |
| (1,205)   | (313)   | (1,518)   | Cabinet Member for Economic Growth                       | 2,286   | (3,222)   | (936)   |
|   |   |   | Cabinet Member for Town Centre and Visitor Economy       |   |   |   |
| (3,289)   | 4,759   | 1,470   |  | (3,408)   | 2,568   | (840)   |
| 2,276   | 4,514   | 6,790   | Cabinet Member for Health and Well Being                 | 4,642   | 2,827   | 7,469   |
| 757   | (590)   | 167   | Cabinet Member for Housing                               | 674   | (571)   | 103   |
| 2,222   | 2,633   | 4,855   | Cabinet Member for Governance                            | 2,275   | 640   | 2,915   |
|   |   |   | Cabinet Member for Business Transformation and Customers |   |   |   |
| (1,102)   | 4,882   | 3,780   |  | (628)   | 4,228   | 3,600   |
| (2,773)   | (4,569)   | (7,342)   | Housing Revenue Account (HRA)                            | (1,679)   | 8,475   | 6,796   |
| <b>5,119</b>  | <b>8,260</b>  | <b>13,379</b>   | <b>Net Cost of Services</b>                              | <b>10,247</b>   | <b>11,890</b>   | <b>22,137</b>   |
| (1,701)   | (532)   | (2,233)   | Other Income and Expenditure                             | (18,558)  | 8,205   | (10,353)  |
| <b>3,418</b>  | <b>7,728</b>  | <b>11,146</b>   | <b>(Surplus)/Deficit</b>                                 | <b>(8,311)</b>  | <b>20,095</b>   | <b>11,784</b>   |
| <b>(42,303)</b>   |   |   | <b>Opening General Fund and HRA Balance</b>              | <b>(38,885)</b>   |   |   |
| 3,418   |   |   | Movement   | (8,311)   |   |   |
| <b>(38,885)</b>   |   |   | <b>Closing General Fund and HRA Balance</b>              | <b>(47,196)</b>   |   |   |
| <b>(12,926)</b>   |   |   | <b>Opening General Fund Balance</b>                      | <b>(14,107)</b>   |   |   |
| (1,181)   |   |   | Movement   | (12,624)  |   |   |
| <b>(14,107)</b>   |   |   | <b>Closing General Fund Balance</b>                      | <b>(26,731)</b>   |   |   |
| <b>(29,377)</b>   |   |   | <b>Opening HRA Balance</b>                               | <b>(24,778)</b>   |   |   |
| 4,599   |   |   | Movement   | 4,313   |   |   |
| <b>(24,778)</b>   |   |   | <b>Closing HRA Balance</b>                               | <b>(20,465)</b>   |   |   |

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

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

| <b>Adjustments between Funding and Accounting Basis 2020/21</b>                          |                                      |   |                        |                        |
|--|--------------------------------------|---|------------------------|------------------------|
| Portfolios   | Adjustment for Capital Purposes £000 | Net change for Pension Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| Leader of the Council  | -                                    | 50                                      | -                      | 50                     |
| Deputy Leader of the Council   | -                                    | (3,105)                                 | -                      | (3,105)                |
| Economic Growth  | (3,515)                              | 296                                     | (3)                    | (3,222)                |
| Town Centre & Visitor Economy  | 2,121                                | 446                                     | 1                      | 2,568                  |
| Health & Wellbeing   | 1,310                                | 1,516                                   | 1                      | 2,827                  |
| Housing  | (722)                                | 68                                      | 83                     | (571)                  |
| Governance   | 155                                  | 478                                     | 7                      | 640                    |
| Business Transformation and Customers  | 221                                  | 3,461                                   | 546                    | 4,228                  |
| Housing Revenue Account  | 10,066                               | 410                                     | (2,001)                | 8,475                  |
| <b>Net Cost of Services</b>  | <b>9,636</b>                         | <b>3,620</b>                            | <b>(1,366)</b>         | <b>11,890</b>          |
| Other income & expenditure from Expenditure & Funding Analysis                           | 287                                  | -                                       | 7,918                  | 8,205                  |
| <b>Difference between General Fund deficit and CIES deficit on Provision of Services</b> | <b>9,923</b>                         | <b>3,620</b>                            | <b>6,552</b>           | <b>20,095</b>          |

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

### Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

#### Net Change for Pension Adjustments

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

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

#### Other Differences

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

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

## 8. SEGMENTAL INCOME

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

| Portfolios  | Income from Services |                 |
|---|----------------------|-----------------|
|   | 2020/21<br>£000      | 2019/20<br>£000 |
| Leader of the Council                             | (19)                 | -               |
| Deputy Leader of the Council                      | -                    | (5)             |
| Economic Growth                                   | (4,078)              | (3,700)         |
| Town Centre & Visitor Economy                     | (6,264)              | (8,468)         |
| Health & Wellbeing                                | (5,013)              | (5,988)         |
| Housing   | (92)                 | (96)            |
| Governance  | (426)                | (456)           |
| Business Transformation and Customers             | (26,128)             | (27,705)        |
| Housing Revenue Account                           | (38,554)             | (38,659)        |
| <b>Total income analysed on a segmental basis</b> | <b>(80,574)</b>      | <b>(85,077)</b> |

## **9. EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Expenditure</b>                                |                         |                         |
| Employee expenses                                 | <b>22,143</b>           | 22,660                  |
| Other service expenses                            | <b>61,607</b>           | 62,199                  |
| Support service recharges                         | <b>13,425</b>           | 12,014                  |
| Depreciation, amortisation & impairment           | <b>42,424</b>           | 20,131                  |
| Transfers to/from reserves                        | <b>(12,451)</b>         | 729                     |
| Interest payments                                 | <b>6,024</b>            | 7,075                   |
| Precepts  | <b>463</b>              | 447                     |
| Payments to Housing Capital                       |                         |                         |
| Receipts Pool                                     | <b>925</b>              | 1,195                   |
| Gain/loss on disposal of fixed assets             | <b>1,141</b>            | 2,389                   |
| <b>Total Expenditure</b>                          | <b>135,701</b>          | <b>128,839</b>          |
| <b>Income</b>                                     |                         |                         |
| Fees, charges & other service income              | <b>(47,673)</b>         | (55,054)                |
| Government grants                                 | <b>(56,540)</b>         | (34,184)                |
| Recharges & other income                          | <b>(18,922)</b>         | (19,834)                |
| Interest & investment income                      | <b>(114)</b>            | (580)                   |
| Income from business rates                        | <b>4,750</b>            | (2,814)                 |
| Income from council tax                           | <b>(5,418)</b>          | (5,227)                 |
| <b>Total Income</b>                               | <b>(123,917)</b>        | <b>(117,693)</b>        |
| <b>(Surplus)/Deficit on Provision of Services</b> | <b>11,784</b>           | <b>11,146</b>           |

## **10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

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

| 2020/21  | Usable Reserves            |                               |                                |                             |                                | Movement in<br>Unusable<br>Reserves |
|--|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|-------------------------------------|
|  | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied |                                     |
|  | £000                       | £000                          | £000                           | £000                        | £000                           | £000                                |
| <b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>  |                            |                               |                                |                             |                                |                                     |
| Reversal of items debited/credited to Comprehensive Income & Expenditure Statement   | -                          | -                             | -                              | -                           | -                              | -                                   |
| Depreciation, impairment & revaluation losses of non-current assets  | 3,151                      | 24,384                        | -                              | -                           | -                              | (27,535)                            |
| Non-current assets written off on disposal as part of gain/loss on disposal to CIES  | -                          | 4,723                         | -                              | -                           | -                              | (4,723)                             |
| Movement in market value of Investment Properties  | 939                        | (245)                         | -                              | -                           | -                              | (694)                               |
| Amortisation of intangible assets  | 140                        | -                             | -                              | -                           | -                              | (140)                               |
| Capital grants & contributions applied   | (6,759)                    | -                             | -                              | -                           | 1,120                          | 5,639                               |
| Revenue expenditure funded from capital under statute  | 2,098                      | -                             | -                              | -                           | -                              | (2,098)                             |
| <b><u>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</u></b>  |                            |                               |                                |                             |                                |                                     |
| Statutory provision for financing of capital investment  | (332)                      | -                             | -                              | -                           | -                              | 332                                 |
| Capital expenditure charged against General Fund and HRA balances  | (87)                       | (4,151)                       | -                              | -                           | -                              | 4,238                               |
| Voluntary Repayment of Debt  | -                          | (1,926)                       | -                              | -                           | -                              | 1,926                               |
| Community Infrastructure Levy (CIL)  | (133)                      | -                             | -                              | -                           | 133                            | -                                   |
| Transfers between Other Reserves   | 699                        | (83)                          | 26                             | -                           | 13                             | (655)                               |
| <b><u>Adjustments primarily involving the Capital Receipts Reserve:</u></b>  |                            |                               |                                |                             |                                |                                     |
| Use of Capital Receipts Reserve to finance new capital expenditure   | -                          | -                             | (3,393)                        | -                           | -                              | 3,393                               |
| Contribution from capital Receipts Reserve to finance payments to Government capital receipts pool   | 925                        | -                             | (925)                          | -                           | -                              | -                                   |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES   | (551)                      | (3,041)                       | 3,592                          | -                           | -                              | -                                   |
| <b><u>Adjustments primarily involving the Major Repairs Reserve:</u></b>   |                            |                               |                                |                             |                                |                                     |
| HRA depreciation & impairment  | -                          | (9,262)                       | -                              | 9,262                       | -                              | -                                   |
| Excess of Major Repairs Allowance over HRA depreciation  | -                          | (2,341)                       | -                              | 2,341                       | -                              | -                                   |
| Use of Major Repairs Reserve to finance new capital expenditure  | -                          | -                             | -                              | (11,603)                    | -                              | 11,603                              |
| <b><u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u></b>  |                            |                               |                                |                             |                                |                                     |
| Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements | (8)                        | -                             | -                              | -                           | -                              | 8                                   |

|  |         |       |       |   |       |          |
|--|---------|-------|-------|---|-------|----------|
| <b><u>Adjustments primarily involving the Pensions Reserve:</u></b>  |         |       |       |   |       |          |
| Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement   | 8,687   | 409   | -     | - | -     | (9,096)  |
| Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable to pensioners in the year  | (5,477) | -     | -     | - | -     | 5,477    |
| <b><u>Adjustments primarily involving the Collection Fund Adjustment Account:</u></b>  |         |       |       |   |       |          |
| Amount by which council tax and business rate income credited to the Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements | 8,258   | -     | -     | - | -     | (8,258)  |
| <b><u>Adjustments primarily involving the Accumulated Absences Account:</u></b>  |         |       |       |   |       |          |
| Amount by which salaries charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements.                                     | 70      | 8     | -     | - | -     | (78)     |
| <b>Total Adjustments</b>   | 11,620  | 8,475 | (700) | - | 1,266 | (20,661) |

| 2019/20   | <b>Usable Reserves</b> |                         |                          |                       |                          |                               |
|---|------------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
|   | General Fund Balance   | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|   | £000                   | £000                    | £000                     | £000                  | £000                     | £000                          |
| <b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>       |                        |                         |                          |                       |                          |                               |
| Reversal of items debited/credited to Comprehensive Income & Expenditure Statement  |                        |                         |                          |                       |                          |                               |
| Depreciation, impairment & revaluation losses of non-current assets                 | 4,673                  | 10,874                  |                          |                       |                          | (15,547)                      |
| Non-current assets written off on disposal as part of gain/loss on disposal to CIES | 77                     | 6,514                   |                          |                       |                          | (6,591)                       |
| Movement in market value of Investment Properties                                   | 3,545                  | 95                      |                          |                       |                          | (3,640)                       |
| Amortisation of intangible assets   | 115                    |                         |                          |                       |                          | (115)                         |
| Capital grants & contributions applied  | (2,476)                |                         |                          |                       | 550                      | 1,926                         |
| Revenue expenditure funded from capital under statute                               | 672                    |                         |                          |                       |                          | (672)                         |

|  |         |         |         |          |       |          |
|--|---------|---------|---------|----------|-------|----------|
| <b>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</b>   |         |         |         |          |       |          |
| Statutory provision for financing of capital investment  | (239)   |         |         |          |       | 239      |
| Capital expenditure charged against General Fund and HRA balances  | (26)    | (5,758) |         |          |       | 5,784    |
| Voluntary Repayment of Debt  |         | (1,955) |         |          |       | 1,955    |
| Community Infrastructure Levy (CIL)  | (488)   |         |         |          | 488   | -        |
| Transfers Between Other Reserves   | 374     |         | (394)   |          |       | 20       |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |         |         |         |          |       |          |
| Use of Capital Receipts Reserve to finance new capital expenditure   |         |         | (3,812) |          |       | 3,812    |
| Contribution from capital Receipts Reserve to finance payments to Government capital receipts pool   | 1,195   |         | (1,195) |          |       | -        |
| Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES   | (423)   | (3,815) | 4,238   |          |       | -        |
| <b>Adjustments primarily involving the Major Repairs Reserve:</b>  |         |         |         |          |       |          |
| HRA depreciation & impairment  |         | (9,130) |         | 9,130    |       | -        |
| Excess of Major Repairs Allowance over HRA depreciation  |         | (2,104) |         | 2,104    |       | -        |
| Use of Major Repairs Reserve to finance new capital expenditure  |         |         |         | (11,234) |       | 11,234   |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>   |         |         |         |          |       |          |
| Amounts by which finance costs charged to Comprehensive Income & Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements   | (8)     |         |         |          |       | 8        |
| <b>Adjustments primarily involving the Pensions Reserve:</b>   |         |         |         |          |       |          |
| Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement   | 11,489  | 706     |         |          |       | (12,195) |
| Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable to pensioners in the year  | (5,086) |         |         |          |       | 5,086    |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>   |         |         |         |          |       |          |
| Amount by which council tax and business rate income credited to the Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements | (1,107) |         |         |          |       | 1,107    |
| <b>Adjustments primarily involving the Accumulated Absences Account:</b>   |         |         |         |          |       |          |
| Amount by which salaries charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements.                                     | 10      | 5       |         |          |       | (15)     |
| <b>Total Adjustments</b>   | 12,297  | (4,568) | (1,163) | -        | 1,038 | (7,604)  |

## 11. TRANSFERS TO/FROM EARMARKED RESERVES

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

|                                     | Balance<br>01/04/2019<br>£000 | Transfers In<br>2019/20<br>£000 | Transfers Out<br>2019/20<br>£000 | Balance<br>31/03/2020<br>£000 | Transfers In<br>2020/21<br>£000 | Transfers Out<br>2020/21<br>£000 | Balance<br>31/03/2021<br>£000 |
|-------------------------------------|-------------------------------|---------------------------------|----------------------------------|-------------------------------|---------------------------------|----------------------------------|-------------------------------|
| <b>General Fund</b>                 |                               |                                 |                                  |                               |                                 |                                  |                               |
| Vehicles & Plant                    | 697                           | 442                             | (477)                            | 662                           | 299                             | (230)                            | 731                           |
| Information Technology              | 218                           | 361                             | (176)                            | 403                           | 334                             | (223)                            | 514                           |
| <b>Crematorium</b>                  |                               |                                 |                                  |                               |                                 |                                  |                               |
| Mercury Abatement                   | 401                           | 61                              | -                                | 462                           | 76                              | -                                | 538                           |
| Capital Improvements                | 207                           | 50                              | (23)                             | 234                           | 49                              | -                                | 283                           |
| <b>Capital Reserves</b>             | <b>1,523</b>                  | <b>914</b>                      | <b>(676)</b>                     | <b>1,761</b>                  | <b>758</b>                      | <b>(453)</b>                     | <b>2,066</b>                  |
| <b>General Fund</b>                 |                               |                                 |                                  |                               |                                 |                                  |                               |
| Enterprise Zone Business Rates      | -                             | -                               | -                                | -                             | 1,915                           | (504)                            | 1,411                         |
| Budget Risk Reserve                 | 1,240                         | 231                             | (126)                            | 1,345                         | 587                             | (123)                            | 1,809                         |
| Service Improvement                 | 315                           | 34                              | (49)                             | 300                           | 8                               | (8)                              | 300                           |
| Property Improvement                | 225                           | 1,489                           | (1,243)                          | 471                           | 1,232                           | (1,015)                          | 688                           |
| Insurance                           | 597                           | 623                             | (150)                            | 1,070                         | -                               | (150)                            | 920                           |
| Tenants Property                    | 677                           | 288                             | (174)                            | 791                           | 283                             | (184)                            | 890                           |
| Tapton Innovation Centre            | 116                           | 34                              | (29)                             | 121                           | 25                              | (10)                             | 136                           |
| DSO/DLO Reserve                     | 566                           | -                               | (28)                             | 538                           | 22                              | -                                | 560                           |
| Planning Inquiry                    | 187                           | -                               | (30)                             | 157                           | -                               | (91)                             | 66                            |
| Flood Restoration                   | 54                            | -                               | (1)                              | 53                            | -                               | (2)                              | 51                            |
| Elections Equipment                 | 2                             | -                               | -                                | 2                             | -                               | -                                | 2                             |
| Museum Exhibits                     | 25                            | -                               | -                                | 25                            | -                               | -                                | 25                            |
| Internal Audit Consortium           | 7                             | -                               | -                                | 7                             | -                               | -                                | 7                             |
| Risk Management Fund                | 5                             | 5                               | (5)                              | 5                             | 5                               | (5)                              | 5                             |
| S106                                | 258                           | 292                             | (22)                             | 528                           | 19                              | (24)                             | 523                           |
| Revenue Grants Unapplied            | 680                           | 1,389                           | (318)                            | 1,751                         | 3,478                           | (670)                            | 4,559                         |
| MMI Insurance Reserve               | 366                           | -                               | (213)                            | 153                           | -                               | -                                | 153                           |
| Barrow Hill Bridge                  | 20                            | 5                               | -                                | 25                            | 5                               | -                                | 30                            |
| Business Rates*                     | 2,148                         | -                               | (551)                            | 1,597                         | 7,903                           | -                                | 9,500                         |
| Repaid Improvement Grants           | 184                           | 72                              | (89)                             | 167                           | 77                              | (91)                             | 153                           |
| Northern Gateway                    | 280                           | -                               | (131)                            | 149                           | -                               | -                                | 149                           |
| Theatre Restoration                 | -                             | 103                             | -                                | 103                           | 2                               | -                                | 105                           |
| Deficit Reduction                   | 107                           | 59                              | (107)                            | 59                            | -                               | (59)                             | -                             |
| Digital Innovation                  | 706                           | 50                              | (440)                            | 316                           | 10                              | (295)                            | 31                            |
| Service Redesign                    | 750                           | -                               | (20)                             | 730                           | -                               | (55)                             | 675                           |
| <b>Crematorium</b>                  |                               |                                 |                                  |                               |                                 |                                  |                               |
| Crematorium Balance                 | 195                           | 57                              | (61)                             | 191                           | 106                             | (75)                             | 222                           |
| Cremator Repairs                    | 183                           | -                               | -                                | 183                           | -                               | -                                | 183                           |
| Crematorium Equipment               | 6                             | 3                               | -                                | 9                             | 3                               | -                                | 12                            |
| Organ Reserve                       | 5                             | -                               | (5)                              | -                             | -                               | -                                | -                             |
| <b>Revenue Reserves</b>             | <b>9,904</b>                  | <b>4,734</b>                    | <b>(3,792)</b>                   | <b>10,846</b>                 | <b>15,680</b>                   | <b>(3,361)</b>                   | <b>23,165</b>                 |
| <b>Total Earmarked Reserves</b>     | <b>11,427</b>                 | <b>5,648</b>                    | <b>(4,468)</b>                   | <b>12,607</b>                 | <b>16,438</b>                   | <b>(3,814)</b>                   | <b>25,231</b>                 |
| <b>General Fund Working Balance</b> |                               |                                 |                                  |                               |                                 |                                  |                               |
| Housing Revenue Account Balance     | 29,237                        | 5                               | (4,508)                          | 24,734                        | 81                              | (4,355)                          | 20,460                        |
| Major Repairs Reserve (HRA)         | -                             | 11,234                          | (11,234)                         | -                             | 11,603                          | (11,603)                         | -                             |
| Revenue Grants Unapplied            | 140                           | 8                               | (104)                            | 44                            | 5                               | (44)                             | 5                             |
| <b>Total HRA Reserves</b>           | <b>29,377</b>                 | <b>11,247</b>                   | <b>(15,846)</b>                  | <b>24,778</b>                 | <b>11,689</b>                   | <b>(16,002)</b>                  | <b>20,465</b>                 |

\* Business Rates Reserve – the balance on this reserve has significantly increased in 2020/21. Additional business rate reliefs were awarded by Government in response to the pandemic resulting in a significant deficit in the Collection Fund. Section 31 grant funding of £7.9m was provided by Government in 2020/21 to mitigate the impact of their decision on local authorities and will be needed to meet the cost to the General Fund in 2021/22. This government grant funding is included in the reserve to meet the resulting additional General Fund cost in 2021/22.

## **12. OTHER OPERATING EXPENDITURE**

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Parish council precepts                          | 463                     | 448                     |
| Payments to Housing Capital Receipts Pool        | 925                     | 1,195                   |
| (Gains)/losses on disposal of non-current assets | 1,141                   | 2,389                   |
| Other  | 20                      | 26                      |
| <b>TOTAL</b>                                     | <b>2,549</b>            | <b>4,058</b>            |

## **13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Interest payable & similar charges                          | 4,783                   | 5,092                   |
| Net interest on net defined benefit liability               | 1,241                   | 1,983                   |
| Interest and investment income                              | (114)                   | (580)                   |
| Income and expenditure in relation to Investment Properties | (2,648)                 | (2,716)                 |
| Changes in fair value of Investment Properties              | 694                     | 3,640                   |
| (Gain)/loss on trading accounts                             | (715)                   | (1,603)                 |
| Transfer to/(from) Bad Debt Provisions                      | 308                     | 42                      |
| <b>TOTAL</b>  | <b>3,549</b>            | <b>5,858</b>            |

#### **14. TAXATION AND NON SPECIFIC GRANT INCOMES**

|                                       | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---------------------------------------|-------------------------|-------------------------|
| Council tax income                    | (5,418)                 | (5,227)                 |
| Business Rates income and expenditure | 4,750                   | (2,814)                 |
| Non-ringfenced government grants      | (12,363)                | (2,938)                 |
| Capital grants and contributions      | (3,420)                 | (1,170)                 |
| <b>TOTAL</b>                          | <b>(16,451)</b>         | <b>(12,149)</b>         |

#### **15. OFFICERS' REMUNERATION**

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

| <b>Remuneration Band</b> | <b>No. of Employees</b> |                |
|--------------------------|-------------------------|----------------|
|                          | <b>2020/21</b>          | <b>2019/20</b> |
| £50,000 - £54,999        | 6                       | 6              |
| £55,000 - £59,999        | 2                       | 1              |
| £60,000 - £64,999        | -                       | 3              |
| £65,000 - £69,999        | 2                       | 4              |
| £70,000 - £74,999        | 4                       | -              |
| £75,000 - £79,999        | -                       | 1              |
| £80,000 - £84,999        | -                       | -              |
| £85,000 - £89,999        | -                       | -              |
| £90,000 - £94,999        | 2                       | -              |
| £95,000 - £99,999        | -                       | -              |
| £100,000 - £104,999      | -                       | -              |
| £105,000 - £109,999      | -                       | -              |
| £110,000 - £114,999      | 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).

| <u>2020/21</u>                    | Salary (inc fees & allowances) | Expense Allowances | Compensation for loss of employment | Total remuneration exc pension contributions 2020/21 | Pension Contributions | Total remuneration inc pension contributions 2020/21 |
|-----------------------------------|--------------------------------|--------------------|-------------------------------------|--|-----------------------|--|
| Post Title                        | £                              | £                  | £                                   | £  | £                     | £  |
| Chief Executive                   | 114,083                        | -                  | -                                   | 114,083  | 17,321                | 131,404  |
| Executive Director                | 94,546                         | -                  | -                                   | 94,546   | 14,371                | 108,917  |
| Executive Director                | 94,546                         | -                  | -                                   | 94,546   | 14,371                | 108,917  |
| Service Director - Finance<br>(a) | 65,842                         | -                  | -                                   | 65,842   | 10,008                | 75,850   |
| <b>Total</b>                      | <b>369,017</b>                 | -                  | -                                   | <b>369,017</b>                                       | <b>56,071</b>         | <b>425,088</b>                                       |

(a) The Chief Finance Officer post was renamed Service Director – Finance as part of the Corporate Management Team review from 1/3/2021.

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

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

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

| Exit package cost band | Number of compulsory redundancies |          | Number of other departures agreed |          | Total number of exit packages by cost band |          | Total cost of exit packages in each band |              |
|------------------------|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|--------------|
|                        | 2020/21                           | 2019/20  | 2020/21                           | 2019/20  | 2020/21                                    | 2019/20  | 2020/21 £000                             | 2019/20 £000 |
| £0 - £20,000           | -                                 | -        | 3                                 | 2        | 3  | 2        | 18                                       | 15           |
| £20,001 - £40,000      | -                                 | -        | 1                                 | 1        | 1  | 1        | 30                                       | 23           |
| <b>Total</b>           | <b>-</b>                          | <b>-</b> | <b>4</b>                          | <b>3</b> | <b>4</b>                                   | <b>3</b> | <b>48</b>                                | <b>38</b>    |

## **16. DEFINED BENEFIT PENSION SCHEMES**

### Participation in Pension Scheme

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

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

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

### Transactions Relating to Post-employment Benefits

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

| Transactions Relating to Retirement Benefits  |                 |                 |
|---|-----------------|-----------------|
| Comprehensive Income & Expenditure Statement  | 2020/21<br>£000 | 2019/20<br>£000 |
| Cost of Services  |                 |                 |
| Service cost comprising:  |                 |                 |
| ▪ Current service cost  | 7,856           | 9,110           |
| ▪ Past service costs  | -               | 1,103           |
| ▪ (Gain)/Loss from settlements  | -               | -               |
| Financing & Investment Income and Expenditure   |                 |                 |
| ▪ Net interest expense  | 1,241           | 1,983           |
| Total Post Employment benefit Charged to surplus/Deficit on Provision of Services         | 9,097           | 12,196          |
| Remeasurement of net defined benefit liability comprising:                                |                 |                 |
| ▪ Return on plan assets (excluding amount included in net interest expense)               | (34,836)        | 910             |
| ▪ Actuarial gains and losses arising on changes in demographic assumptions                | 4,181           | (9,990)         |
| ▪ Actuarial gains and losses arising on changes in financial assumptions                  | 71,638          | (21,499)        |
| ▪ Other   | (2,891)         | 4,421           |
| Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | 47,189          | (13,962)        |

| <b>Movement in Reserves Statement</b>   |         |          |
|---|---------|----------|
| ▪ Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code | (9,097) | (12,196) |
| Actual amount charged against General fund Balance for pensions in year   |         |          |
| ▪ Employers' contributions payable to scheme  | 5,477   | 5,086    |

#### 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:

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Present value of defined benefit obligation                   | 352,768                 | 246,486                 |
| Fair value of plan assets                                     | (250,276)               | (185,593)               |
| <b>Net liability arising from defined benefit obligations</b> | <b>102,492</b>          | <b>60,893</b>           |

#### Reconciliation of Movements in the Fair Value of Scheme Assets

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Opening fair value of scheme assets  | 185,593                 | 183,810                 |
| Interest income  | 4,448                   | 4,401                   |
| Re-measurement gain/loss:  |                         |                         |
| ▪ Return on plan assets, excluding amount included in net interest expense | 34,631                  | (1,009)                 |
| Contributions from employer  | 5,447                   | 5,045                   |
| Contributions from employees into the scheme                               | 1,414                   | 1,304                   |
| Benefits paid  | (7,824)                 | (7,958)                 |
| Effect of Business Combinations  | 26,567                  | -                       |
| <b>Closing balance at 31st March</b>                                       | <b>250,276</b>          | <b>185,593</b>          |

Reconciliation of Present Value of Scheme Liabilities

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Opening balance at 1st April   | 246,486         | 263,697         |
| Current service cost   | 7,832           | 9,044           |
| Interest cost  | 5,678           | 6,371           |
| Contributions from scheme participants                                   | 1,414           | 1,304           |
| Remeasurement gains/losses:  |                 |                 |
| ▪ Actuarial gains/losses arising from changes in demographic assumptions | 4,156           | (9,924)         |
| ▪ Actuarial gains/losses arising from changes in financial assumptions   | 71,186          | (21,354)        |
| ▪ Other  | (2,876)         | 4,211           |
| Past service cost  | (660)           | 1,095           |
| Benefits paid  | (7,824)         | (7,958)         |
| Effect of Business Combinations  | 27,376          | -               |
| <b>Closing balance at 31st March</b>                                     | <b>352,768</b>  | <b>246,486</b>  |

Further valuation reports were commissioned on 2019/20 figures prior to finalising the Statement of Accounts. Changes in valuation were deemed to be below materiality levels and no amendments to 2019/20 figures were deemed appropriate.

These 2019/20 adjustments are reflected in the movement in the 2020/21 figures.

## Local Government Pension Scheme Assets

|   | Fair Value of Scheme Assets          |  |                |                   |                                      |  |                |                   |
|---|--------------------------------------|--|----------------|-------------------|--------------------------------------|--|----------------|-------------------|
|   | 2020/21                              |  |                |                   | 2019/20                              |  |                |                   |
|   | 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 |
| <b>Cash &amp; cash equivalents</b>        |                                      | 15,908                                   | <b>15,908</b>  | 6%                |                                      | 11,831                                   | 11,831         | 6%                |
| <b>Equity Securities</b>                  |                                      |  |                |                   |                                      |  |                |                   |
| ▪ Consumer                                | 4,239                                |  | <b>4,239</b>   | 2%                | 5,061                                |  | 5,061          | 3%                |
| ▪ Manufacturing                           | 2,466                                |  | <b>2,466</b>   | 1%                | 2,894                                |  | 2,894          | 2%                |
| ▪ Energy & utilities                      | 900                                  |  | <b>900</b>     | 0%                | 1,359                                |  | 1,359          | 1%                |
| ▪ Financial institutions                  | 1,892                                |  | <b>1,892</b>   | 1%                | 2,043                                |  | 2,043          | 1%                |
| ▪ Health & care                           | 2,219                                |  | <b>2,219</b>   | 1%                | 2,920                                |  | 2,920          | 1%                |
| ▪ Information technology                  | 3,435                                |  | <b>3,435</b>   | 1%                | 4,348                                |  | 4,348          | 2%                |
| ▪ Other                                   | 50,325                               |  | <b>50,325</b>  | 20%               | 15,386                               |  | 15,386         | 8%                |
| Sub-total Equity                          | 65,476                               | -  | <b>65,476</b>  | 26%               | 34,011                               | -  | 34,011         | 18%               |
| <b>Debt Securities</b>                    |                                      |  |                |                   |                                      |  |                |                   |
| ▪ Corporate                               |                                      | 32,556                                   | <b>32,556</b>  | 13%               |                                      | 23,486                                   | 23,486         | 13%               |
| ▪ UK Government                           | 21,100                               |  | <b>21,100</b>  | 8%                | 18,439                               |  | 18,439         | 10%               |
| ▪ Other                                   | 4,479                                |  | <b>4,479</b>   | 2%                | 4,644                                |  | 4,644          | 2%                |
| Sub-total Debt                            | 25,579                               | 32,556                                   | <b>58,135</b>  | 23%               | 23,083                               | 23,486                                   | 46,569         | 25%               |
| <b>Property</b>                           |                                      |  |                |                   |                                      |  |                |                   |
| ▪ UK Property                             |                                      | 19,006                                   | <b>19,006</b>  | 8%                |                                      | 16,311                                   | 16,311         | 10%               |
| <b>Private Equity</b>                     |                                      |  |                |                   |                                      |  |                |                   |
| ▪ All                                     | 3,780                                | 5,515                                    | <b>9,295</b>   | 4%                | 2,198                                | 3,993                                    | 6,191          | 3%                |
| <b>Investment Funds &amp; Unit Trusts</b> |                                      |  |                |                   |                                      |  |                |                   |
| ▪ Equities                                | 66,935                               |  | <b>66,935</b>  | 27%               | 56,928                               |  | 56,928         | 31%               |
| ▪ Infrastructure                          | 3,645                                | 11,876                                   | <b>15,521</b>  | 6%                | 3,104                                | 10,648                                   | 13,752         | 7%                |
| Sub-total Investment Funds & Unit Trusts  | 70,580                               | 11,876                                   | <b>82,456</b>  | 33%               | 60,032                               | 10,648                                   | 70,680         | 38%               |
| <b>Total Assets</b>                       | <b>165,415</b>                       | <b>84,861</b>                            | <b>250,276</b> | <b>100%</b>       | <b>119,324</b>                       | <b>66,269</b>                            | <b>185,593</b> | <b>100%</b>       |

### 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 31<sup>st</sup> March 2019.

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

The significant assumptions used by the actuary are:

|  | 2020/21      | 2019/20 |
|--|--------------|---------|
| Mortality Assumptions:   |              |         |
| Longevity at 65 for current pensioners   |              |         |
| ▪ Men  | <b>21.3</b>  | 21.6    |
| ▪ Women  | <b>23.9</b>  | 23.7    |
| Longevity at 65 for future pensioners  |              |         |
| ▪ Men  | <b>22.5</b>  | 22.6    |
| ▪ Women  | <b>25.8</b>  | 25.1    |
| Rate of inflation  | <b>2.85%</b> | 1.90%   |
| Rate of increase in salaries   | <b>3.55%</b> | 2.60%   |
| Rate of increase in pensions   | <b>3.55%</b> | 2.60%   |
| Rate for discounting scheme liabilities  | <b>2.00%</b> | 2.30%   |
| Take up of option to convert annual pension into retirement lump sum - pre April 2008 service  | <b>50%</b>   | 50%     |
| Take up of option to convert annual pension into retirement lump sum - post April 2008 service | <b>75%</b>   | 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%  | 34,994                           |
| 0.5% increase in Salary Increase Rate                  | 1%   | 3,926                            |
| 0.5% increase in Pension Increase Rate                 | 9%   | 30,284                           |

### Impact on the Authority's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme may not provide benefits in relation to service after 31<sup>st</sup> 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 2021/22 is £5.323m.

The weighted average duration has not been provided by Hymans Robertson in 2020/21.

With the exception of the tables detailing transactions in the Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement, the pension fund details in note 16 do not include Chesterfield Borough Council's share of the Crematorium pension fund which has its own separate fund.

## **17. MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Special Responsibility & Other Allowances | 145                     | 136                     |
| Basic Responsibility Allowances           | 302                     | 288                     |
| Member expenses                           | 1                       | 4                       |
| <b>TOTAL</b>                              | <b>448</b>              | <b>428</b>              |

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](http://www.chesterfield.gov.uk)).

## **18. GRANT INCOME**

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21.

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Credited to Taxation &amp; Non Specific Grant Income</b> |                         |                         |
| Revenue Support Grant                                       | 442                     | 434                     |
| New Homes Bonus Grant                                       | 95                      | 313                     |
| Derbyshire County Council                                   | -                       | 1,050                   |
| D2N2 LEP  | 2,968                   | 82                      |
| Ministry for Housing, Communities & Local Government:-      |                         |                         |
| ▪ Business Rate Relief                                      | 9,496                   | 2,131                   |
| ▪ Covid19   | 2,331                   | 59                      |
| ▪ Other   | 280                     | -                       |
| Other   | 172                     | 38                      |
| <b>TOTAL</b>  | <b>15,784</b>           | <b>4,107</b>            |

| <b>Credited to Services:</b>                         |               |               |
|--|---------------|---------------|
| <b>Capital</b>                                       |               |               |
| Sheffield City Region                                | -             | 82            |
| Derbyshire Better Care Fund                          | 1,372         | 1,209         |
| Environment Agency                                   | -             | 15            |
| D2N2   | 1,226         | -             |
| Derbyshire County Council:                           | 521           | -             |
| MHCLG  | 220           | -             |
| <b>Revenue</b>                                       |               |               |
| Dept for Work & Pensions- Housing Benefits           | 25,442        | 26,537        |
| Ministry for Housing, Communities & Local Government | 4,312         | 322           |
| Arts Council   | 449           | -             |
| Other Government Grants                              | 78            | 36            |
| Derbyshire County Council:                           |               |               |
| - Supporting People                                  | 255           | 303           |
| - Highways Agency                                    | 130           | 130           |
| - Other  | 69            | 19            |
| Other Local Authorities                              | 12            | 41            |
| S106 Contributions                                   | 24            | 31            |
| <b>TOTAL</b>   | <b>34,110</b> | <b>28,725</b> |

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:

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Capital Grants Receipts in Advance</b> |                         |                         |
| BEIS - Green grants                       | 1,000                   | -                       |
| Derbyshire County Council                 | 3                       | 3                       |
| S106 Contributions                        | 125                     | 125                     |
| Other                                     | 14                      | 14                      |
| <b>TOTAL</b>                              | <b>1,142</b>            | <b>142</b>              |

## 19. EXTERNAL AUDIT COSTS

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

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Fees payable to the auditors with regard to external audit services carried out by the appointed auditor | 40                      | 40                      |
| Fees payable to the auditor for certification of grant claims and returns                                | 7                       | 7                       |
| Fees payable in respect of any other services provided by the appointed auditor                          | 4                       | 4                       |
| <b>Total</b>   | <b>51</b>               | <b>51</b>               |

## 20. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

| <u>Movements in 2020/21</u>                                | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | TOTAL<br>£000   |
|--|---------------------------|--------------------------------|-------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|-----------------|
| <b>Gross Book Value</b>                                    |                           |                                |                                     |                               |                          |                        |                                   |                 |
| Brought forward 1 April                                    | 344,940                   | 78,832                         | 3,841                               | 6,061                         | 4,072                    | 1,424                  | 8,053                             | 447,223         |
| Additions  | 13,012                    | 448                            | 2,045                               |                               |                          |                        | 13,818                            | 29,323          |
| Revals - Revaluation Reserve                               | 17,787                    | (1,994)                        |                                     |                               |                          |                        |                                   | 15,793          |
| Revals - surplus/deficit on provision of services          | (15,122)                  | (543)                          |                                     |                               |                          |                        |                                   | (15,665)        |
| Derecognition - disposals                                  | (4,987)                   |                                |                                     |                               |                          |                        |                                   | (4,987)         |
| Derecognition - other                                      |                           |                                |                                     |                               |                          |                        |                                   | -               |
| Impairment losses reversed in s/d on provision of services |                           |                                |                                     |                               |                          |                        |                                   | -               |
| Other movements  | 1,548                     | 11                             | 1,214                               |                               |                          | (11)                   | (2,772)                           | (10)            |
| <b>GBV at 31 March 21</b>                                  | <b>357,178</b>            | <b>76,754</b>                  | <b>7,100</b>                        | <b>6,061</b>                  | <b>4,072</b>             | <b>1,413</b>           | <b>19,099</b>                     | <b>471,677</b>  |
| <b>Accumulated Depreciation &amp; Impairment</b>           |                           |                                |                                     |                               |                          |                        |                                   |                 |
| Brought forward 1 April                                    | -                         | (5,289)                        | (2,665)                             | (3,868)                       | -                        | (13)                   | -                                 | (11,835)        |
| Additions - depreciation                                   | (9,118)                   | (2,278)                        | (278)                               | (238)                         |                          | (7)                    |                                   | (11,919)        |
| Additions - impairment                                     |                           |                                |                                     |                               |                          |                        |                                   | -               |
| Revals - Revaluation Reserve                               | 8,844                     | 2,603                          |                                     |                               |                          |                        |                                   | 11,447          |
| Revals - surplus/deficit on provision of services          |                           | 70                             |                                     |                               |                          |                        |                                   | 70              |
| Derecognition - disposals                                  | 264                       |                                |                                     |                               |                          |                        |                                   | 264             |
| Derecognition - other                                      |                           |                                |                                     |                               |                          |                        |                                   | -               |
| Impairment losses reversed in s/d on provision of services |                           |                                |                                     |                               |                          |                        |                                   | -               |
| Other movements  | 10                        |                                |                                     |                               |                          |                        |                                   | 10              |
| <b>Depreciation &amp; Impairment at 31 March 21</b>        | <b>-</b>                  | <b>(4,894)</b>                 | <b>(2,943)</b>                      | <b>(4,106)</b>                | <b>-</b>                 | <b>(20)</b>            | <b>-</b>                          | <b>(11,963)</b> |
| <b>Net Book Value B/fwd</b>                                | <b>344,940</b>            | <b>73,543</b>                  | <b>1,176</b>                        | <b>2,193</b>                  | <b>4,072</b>             | <b>1,411</b>           | <b>8,053</b>                      | <b>435,388</b>  |
| <b>Net Book Value at 31 March 21</b>                       | <b>357,178</b>            | <b>71,860</b>                  | <b>4,157</b>                        | <b>1,955</b>                  | <b>4,072</b>             | <b>1,393</b>           | <b>19,099</b>                     | <b>459,714</b>  |

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

### Depreciation

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

|   |               |
|---|---------------|
| Council Dwellings:                      | 9 – 40 years  |
| Other Land & Buildings:                 | 1 – 76 years  |
| Vehicles, Plant, Furniture & Equipment: | 1 – 10 years  |
| Infrastructure                          | 20 – 36 years |

## **21. SURPLUS ASSETS**

### Fair Value Hierarchy

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

| Fair value measurements: | Other significant observable inputs<br>(Level 2)<br>£000 | Significant unobservable inputs<br>(Level 3)<br>£000 | Fair value as at 31st March 21<br>£000 |
|--------------------------|--|--|--|
| Community Rooms          | 80   | -  | 80                                     |
| Land                     | -  | 1,313  | 1,313                                  |
| <b>Total 2020/21</b>     | <b>80</b>  | <b>1,313</b>   | <b>1,393</b>                           |

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

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

### Valuation Techniques used to Determine Level 2 and 3 Fair Values

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

These valuations are historic based on existing use values and/or based on unobservable inputs. These assets will be revalued in 2021/22 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 2021<br>£000 | 31st March 2020<br>£000 |
|---|-------------------------|-------------------------|
| Opening balance   | 1,325                   | 803                     |
| Transfers into Level 3  | -                       | -                       |
| Transfers from Level 3  | (12)                    | -                       |
| Total gains/losses for the period included in surplus/deficit on Provision of Services resulting from changes in fair value | -                       | -                       |
| Additions   |                         | 522                     |
| Revaluations  | -                       | -                       |
| Disposals   | -                       | -                       |
| <b>Closing Balance</b>  | <b>1,313</b>            | <b>1,325</b>            |

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

|      | 31st March 2021<br>£000 | Valuation Technique | Unobservable Inputs | Sensitivity  |
|------|-------------------------|---------------------|---------------------|--|
| Land | 1,313                   | Market Value        | Future Use          | Planning Restrictions<br>Site issues - redevelopment |

## 22. HERITAGE ASSETS

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

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

| Asset Class                        | Balance<br>B/Fwd at 1st<br>April 2020<br>£000 | Additions<br>£000 | Disposals<br>£000 | Revaluations<br>£000 | Other<br>Changes<br>£000 | Balance C/Fwd<br>at 31 March<br>2021<br>£000 |
|------------------------------------|---|-------------------|-------------------|----------------------|--------------------------|--|
| Rosewall Sculpture                 | 950   |                   |                   |                      |                          | 950  |
| Historic Sites & Buildings         | 318   |                   |                   |                      |                          | 315  |
| Museum Collection                  | 265   |                   |                   |                      |                          | 265  |
| Civic Plate, Paintings & Porcelain | 245   |                   |                   |                      |                          | 245  |
| Mayoral Regalia                    | 439   |                   |                   |                      |                          | 439  |
| <b>Assets Carried at Valuation</b> | <b>2,217</b>                                  | -                 | -                 | (3)                  | -                        | <b>2,214</b>                                 |
| Barrow Hill Railway HC             | 344   |                   |                   |                      |                          | 344  |
| War Memorials etc                  | 38  |                   |                   |                      |                          | 38   |
| Museum Collection                  | -   |                   |                   |                      |                          | -  |
| Percent for Art Sculptures         | 303   |                   |                   |                      |                          | 303  |
| <b>Assets Carried at Cost</b>      | <b>685</b>                                    | -                 | -                 | -                    | -                        | <b>685</b>                                   |
| <b>TOTAL HERITAGE ASSETS</b>       | <b>2,902</b>                                  | -                 | -                 | (3)                  | -                        | <b>2,899</b>                                 |

### Assets not included in the Balance Sheet

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

Percent for Art – The Council supports and encourages the promotion of public art as good planning practice which brings cultural, environmental and economic benefit to local communities. Previous planning policy required 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](http://www.chesterfieldarttrail.co.uk) which gives details of where the existing artworks can be found.

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

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

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

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

### Assets included in the Balance Sheet

#### Historic Buildings

There are three assets included in this classification. These are the Barrow Hill Railway Heritage Centre which hosts Britain’s last working roundhouse, the Revolution

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

These assets are measured at valuation using conventional valuation approaches. They were valued as at 1<sup>st</sup> April 2020 by the Council's internal valuer, in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institute of Chartered Surveyors.

#### War Memorials/Monuments

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

#### Rosewall Sculpture

This was originally commissioned from Barbara Hepworth by the Post Office to stand outside their administrative offices when they relocated to Chesterfield in the 1960's. It was acquired in 2008/09 and was valued immediately prior to purchase by Hazlett, Holland-Hibbert, a firm of specialist dealers in modern art at market value. Due to the cost involved, further appraisals will be infrequent. It is located adjacent to the public footbridge from the town centre into Queens Park in the centre of Chesterfield.

#### Mayoral Regalia/Civic Plate, Paintings & Porcelain

These are kept in the Mayor's Parlour in the Town Hall. The parlour is accessible to the public on several occasions each year and to school parties by special arrangement. No further acquisitions or disposals are planned for this classification of heritage asset, although items are donated on an ad-hoc basis. They were valued in 2015 and are recognised on the balance sheet at valuation. Due to the costs involved, further appraisals will be infrequent.

#### Museum Collection

A part of the collection is exhibited in the museum which is open four days a week and admission is free. Those items with a reasonably ascertainable value are recognised on the balance sheet at valuation. The valuations were carried out in 1991 by Phillips Midlands and in 1993 by Henry Spencer & Sons. The value is based on formal valuation evidence, restated at April 2010 prices, using RPI as a reference index. No material additions or disposals have occurred since the valuation was prepared. Assets acquired in future will be measured at historic cost.

### **23. CAPITAL COMMITMENTS**

The Council has approved a capital programme for the two year period to 2022/23 amounting to approximately £99m of which approximately £21.8m was contractually committed at 31<sup>st</sup> March 2021.

|                      | Approved<br>Expenditure<br>£000 | Committed<br>£000 |
|----------------------|---------------------------------|-------------------|
| Council Housing      | 52,378                          | 9,651             |
| Economic Development | 17,654                          | 11,662            |
| Housing Grants       | 5,610                           | 305               |
| Leisure              | 67                              | -                 |
| Planning & Property  | 22,483                          | -                 |
| Other Schemes        | 1,166                           | 166               |
|                      | 99,358                          | 21,784            |

## 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.

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Opening Capital Financing Requirement (CFR) 1st April</b> | <b>146,849</b>  | 145,264         |
| <u>Capital Investment</u>                                    |                 |                 |
| Property, Plant & Equipment                                  | 29,325          | 25,864          |
| Investment Properties  | -               | -               |
| Intangible Assets  | -               | 25              |
| Heritage Assets  | -               | -               |
| Revenue Expenditure Funded from Capital under Statute        | 2,098           | 671             |
| <u>Financed by</u>   |                 |                 |
| Capital Receipts   | (3,393)         | (3,812)         |
| Capital Grants & Contributions                               | (5,639)         | (1,925)         |
| Revenue Balances & Direct Revenue Financing                  | (15,840)        | (17,041)        |
| Minimum/Voluntary Revenue Provision                          | (2,259)         | (2,197)         |
| Use of Capital Receipts to Repay Debt                        | -               | -               |
| <b>Closing Capital Financing Requirement 31st March</b>      | <b>151,141</b>  | 146,849         |
| <b>Increase/(Decrease) in CFR</b>                            | <b>4,292</b>    | 1,585           |
| <u>Analysis of Increase/(Decrease) in CFR</u>                |                 |                 |
| Supported by Government Financial Assistance                 | -               | -               |
| Unsupported by Government Financial Assistance               | 4,292           | 1,585           |
| <b>Increase/(Decrease) in CFR</b>                            | <b>4,292</b>    | 1,585           |

## **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.

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Rental income from investment property                     | (4,103)                 | (4,193)                 |
| Direct operating expenses arising from investment property | 1,455                   | 1,477                   |
| <b>Net (gain)/loss</b>                                     | <b>(2,648)</b>          | (2,716)                 |

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:

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Balance at start of year                     | 36,798                  | 40,147                  |
| Additions:                                   |                         |                         |
| Subsequent expenditure                       | -                       | -                       |
| Disposals                                    | -                       | -                       |
| Net gains/losses from fair value adjustments | (2,206)                 | (3,349)                 |
| Other changes                                | -                       | -                       |
| Balance at end of year                       | 34,592                  | 36,798                  |

## Fair Value Hierarchy

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

| Recurring fair value measurements: | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31st March 21<br>£000 |
|------------------------------------|---|---|--|
| Industrial Units & Trading Estates | 24,087  |   | 24,087                                 |
| Retail & Office                    | 9,192   |   | 9,192                                  |
| Undeveloped Land                   | 100   | 217   | 317                                    |
| Miscellaneous                      | 836   | 160   | 996                                    |
| <b>Total 2020/21</b>               | <b>34,215</b>   | <b>377</b>  | <b>34,592</b>                          |

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

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

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

### Significant Observable Inputs – Level 2

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

### Significant Unobservable Inputs – Level 3

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

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

| Investment Properties categorised as Level 3  | 31st March 2021<br>£000 | 31st March 2020<br>£000 |
|---|-------------------------|-------------------------|
| Opening Balance   | 679                     | 645                     |
| 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 | (302)                   | 34                      |
| Additions   | -                       | -                       |
| Revaluations  | -                       | -                       |
| Disposals   | -                       | -                       |
| <b>Closing Balance</b>  | <b>377</b>              | <b>679</b>              |

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

|                  | 31st March 2021<br>£000 | Valuation Technique                   | Unobservable Inputs              | Sensitivity   |
|------------------|-------------------------|---------------------------------------|----------------------------------|---|
| Undeveloped Land | 217                     | Assumed investment (fair value basis) | Rent details<br>Rent comparables | Tenancy details<br>Rent levels<br>Rent reviews                          |
| Farm             | 160                     | Assumed investment (fair value basis) | Rent details<br>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 the Council's internal valuers, 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 the council's internal valuers, 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 31<sup>st</sup> March 2021 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see HRA note 4).

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

|                                | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | TOTAL<br>£000  |
|--------------------------------|---------------------------|--------------------------------|-------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|----------------|
| Valued at historical cost      |                           | 663                            | 7,100                               | 6,061                         | 4,072                    |                        | 19,099                            | 36,995         |
| <u>Valued at current value</u> |                           |                                |                                     |                               |                          |                        |                                   |                |
| 2020/21                        | 357,178                   | 16,841                         |                                     |                               |                          |                        |                                   | 374,019        |
| 2019/20                        |                           | 11,893                         |                                     |                               |                          | 522                    |                                   | 12,415         |
| 2018/19                        |                           | 10,515                         |                                     |                               |                          | 852                    |                                   | 11,367         |
| 2017/18                        |                           | 11,166                         |                                     |                               |                          |                        |                                   | 11,166         |
| 2016/17                        |                           | 25,676                         |                                     |                               |                          | 39                     |                                   | 25,715         |
| <b>Total Gross Book Value</b>  | <b>357,178</b>            | <b>76,754</b>                  | <b>7,100</b>                        | <b>6,061</b>                  | <b>4,072</b>             | <b>1,413</b>           | <b>19,099</b>                     | <b>471,677</b> |

## **27. DEPRECIATION**

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

## **28. IMPAIRMENT LOSSES**

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2020/21.

## **29. LEASES**

### Authority as Lessee

#### Finance Leases

The Authority has no finance leases.

#### Operating Leases

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

|  | 31st March   |              |
|--|--------------|--------------|
|  | 2021<br>£000 | 2020<br>£000 |
| Not later than 1 year                        | 578          | 594          |
| Later than 1 year and not later than 5 years | 1,165        | 1,741        |
| Later than 5 years                           | -            | 2            |
| <b>Total</b>                                 | <b>1,743</b> | <b>2,337</b> |

There were no future minimum sublease payments expected to be received under non-cancellable subleases at 31<sup>st</sup> March, 2021 or 31<sup>st</sup> March, 2020.

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

|                        | 31st March   |              |
|------------------------|--------------|--------------|
|                        | 2021<br>£000 | 2020<br>£000 |
| Minimum lease payments | 613          | 802          |
| Contingent rents       | 4            | 8            |
| <b>Total</b>           | <b>617</b>   | <b>810</b>   |

### Authority as Lessor

#### Finance Leases

The Authority has no finance leases.

#### Operating Leases

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

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

|  | 31st March   |              |
|--|--------------|--------------|
|  | 2021<br>£000 | 2020<br>£000 |
| Not later than 1 year                        | 1,755        | 2,153        |
| Later than 1 year and not later than 5 years | 3,489        | 4,075        |
| Later than 5 years                           | 3,125        | 3,438        |
| <b>Total</b>                                 | <b>8,369</b> | <b>9,666</b> |

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 2020/21, £133,175 contingent rents were receivable by the Authority (2019/20 £194,519).

### 30. DEBTORS

|                              | 31st March    |               |
|------------------------------|---------------|---------------|
|                              | 2021<br>£000  | 2020<br>£000  |
| Central Government           | 9,944         | 1,621         |
| Other Local Authorities      | 4,761         | 1,710         |
| Other Entities & Individuals | 8,507         | 7,037         |
| <b>Total</b>                 | <b>23,212</b> | <b>10,368</b> |

### 31. CASH & CASH EQUIVALENTS

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

|   | 31st March    |               |
|---|---------------|---------------|
|   | 2021<br>£000  | 2020<br>£000  |
| Cash held   | 13            | 13            |
| Bank current accounts   | (2,401)       | (1,563)       |
| Short term deposits with banks & other financial institutions | 32,420        | 14,129        |
| <b>Total</b>  | <b>30,032</b> | <b>12,579</b> |

### **32. ASSETS HELD FOR SALE**

|  | Current         |                 | Non-Current     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2020/21<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 | 2019/20<br>£000 |
| <b>Investment Property Held for Sale</b>   |                 |                 |                 |                 |
| Balance brought forward at 1 April         | 7,500           | 7,791           | -               | -               |
| Revaluations                               | 1,506           | (291)           | -               | -               |
| Assets newly classified as held for sale   |                 | -               |                 |                 |
| Assets declassified as held for sale       |                 |                 |                 |                 |
| Assets sold                                |                 |                 |                 |                 |
| <b>Balance carried forward at 31 March</b> | <b>9,006</b>    | <b>7,500</b>    | -               | -               |
| <b>Other Assets Held for Sale</b>          |                 |                 |                 |                 |
| Balance brought forward at 1 April         | -               |                 | -               | -               |
| Assets newly classified as held for sale   |                 |                 |                 |                 |
| Assets declassified as held for sale       |                 |                 |                 |                 |
| Assets sold                                |                 |                 |                 |                 |
| <b>Balance carried forward at 31 March</b> | <b>-</b>        | <b>-</b>        | -               | -               |
| <b>Net Sale Proceeds</b>                   |                 |                 |                 |                 |
| Investment Property Held for Sale          |                 |                 |                 |                 |
| Other Assets Held for Sale                 |                 |                 |                 |                 |

### **33. CREDITORS**

|                              | 31st March    |               |
|------------------------------|---------------|---------------|
|                              | 2021<br>£000  | 2020<br>£000  |
| Central Government           | 12,788        | 6,727         |
| Other Local Authorities      | 2,263         | 2,806         |
| Public Works Loan Board      | -             | -             |
| Other Entities & Individuals | 9,235         | 7,326         |
| <b>Total</b>                 | <b>24,286</b> | <b>16,859</b> |

### **34. PROVISIONS**

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

|                                      | Balance<br>b/fwd<br>01/04/20<br>£000 | Movements in year |                 | Balance<br>c/fwd<br>31/03/21<br>£000 |
|--------------------------------------|--------------------------------------|-------------------|-----------------|--------------------------------------|
|                                      |                                      | Additions<br>£000 | Applied<br>£000 |                                      |
| <b>Short Term Provisions</b>         |                                      |                   |                 |                                      |
| Non Domestic Rate Appeals            | 670                                  | 21                | -               | 691                                  |
| DLO Provision                        | 789                                  | -                 | -               | 789                                  |
| Redundancy Provision                 | -                                    | -                 | -               | -                                    |
| Other                                | -                                    | 7                 | (6)             | 1                                    |
| <b>Total - Short Term Provisions</b> | <b>1,459</b>                         | <b>28</b>         | <b>(6)</b>      | <b>1,481</b>                         |
| <b>Long Term Provisions</b>          |                                      |                   |                 |                                      |
| Non Domestic Rate Appeals            | 1,771                                | 224               | (103)           | 1,892                                |
| Transport Employee Pensions          | 1,041                                | 89                | (51)            | 1,079                                |
| Insurance Provision                  | 510                                  | 226               | (70)            | 666                                  |
| MMI Provision                        | 6                                    | -                 | -               | 6                                    |
| Other                                | 7                                    | -                 | (7)             | -                                    |
| <b>Total - Long Term Provisions</b>  | <b>3,335</b>                         | <b>539</b>        | <b>(231)</b>    | <b>3,643</b>                         |

### **D.L.O. Provision**

Provision for potential future remedial works and losses.

### **Redundancy Provision**

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

### **Transport Employee Pensions**

The provision is being built up in order to meet the Council's liability in respect of pensions of former Transport Undertaking employees who were transferred to the private sector on privatisation. An independent actuarial review of this fund takes place every three years. The fund was reviewed in March 2020 and will be increased over the next 3 years in line with review recommendations.

### **Insurance Provision**

All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2019 which suggested that the fund balance was adequate. The next review will take place during 2022/23.

### **MMI Provision**

The Council was insured by MMI until 1993 when the Company went into administration. In March 2012 the Supreme Court found against MMI in the Employers' Liability Policy Trigger case. The ruling means that MMI are liable to

pay compensation for mesothelioma cases where they were the insurer at the date of exposure to asbestos, rather than the insurer at the time the disease develops. The judgement will have significant implications for the Company and the Scheme Creditors, of which the Council is one.

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

As at the 31<sup>st</sup> March 2021 the Council's claims paid and outstanding with MMI totalled £1.2m. 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 1<sup>st</sup> April 2013, means that a proportion of successful rating appeals must be met by the local authority. Previously they were met by central government. A provision has been established to recognise the liability. Due to the complexity and uncertainties surrounding the calculation of the provision, the Council engages the services of Inform PCI and the Analyse Local system.

## **35. FINANCIAL INSTRUMENTS BALANCES**

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

| Financial Assets                  | Long Term    |              |              |              | Current       |               |               |               |
|-----------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                                   | Investments  |              | Debtors      |              | Investments   |               | Debtors       |               |
|                                   | 31st March   |              | 31st March   |              | 31st March    |               | 31st March    |               |
|                                   | 2021<br>£000 | 2020<br>£000 | 2021<br>£000 | 2020<br>£000 | 2021<br>£000  | 2020<br>£000  | 2021<br>£000  | 2020<br>£000  |
| Fair value through profit or loss |              | -            |              | -            | 19,590        | 14,129        |               | -             |
| Amortised cost                    | 570          | 168          |              | -            | 12,922        | 28,162        | 7,936         | 6,806         |
| <b>Total financial assets</b>     | <b>570</b>   | <b>168</b>   | <b>-</b>     | <b>-</b>     | <b>32,512</b> | <b>42,291</b> | <b>7,936</b>  | <b>6,806</b>  |
| Non-financial assets              | -            | -            |              | -            |               | -             | 15,276        | 3,562         |
| <b>Total</b>                      | <b>570</b>   | <b>168</b>   | <b>-</b>     | <b>-</b>     | <b>32,512</b> | <b>42,291</b> | <b>23,212</b> | <b>10,368</b> |

| Financial Liabilities             | Long Term      |                |              |              | Current      |              |               |               |
|-----------------------------------|----------------|----------------|--------------|--------------|--------------|--------------|---------------|---------------|
|                                   | Borrowings     |                | Creditors    |              | Borrowings   |              | Creditors     |               |
|                                   | 31st March     |                | 31st March   |              | 31st March   |              | 31st March    |               |
|                                   | 2021<br>£000   | 2020<br>£000   | 2021<br>£000 | 2020<br>£000 | 2021<br>£000 | 2020<br>£000 | 2021<br>£000  | 2020<br>£000  |
| Fair value through profit or loss |                | -              |              | -            |              | -            |               | -             |
| Amortised cost                    | 123,490        | 125,380        |              | -            | 4,344        | 3,534        | 11,079        | 8,763         |
| <b>Total financial assets</b>     | <b>123,490</b> | <b>125,380</b> | <b>-</b>     | <b>-</b>     | <b>4,344</b> | <b>3,534</b> | <b>11,079</b> | <b>8,763</b>  |
| Non-financial assets              |                | -              |              | -            |              | -            | 13,207        | 8,097         |
| <b>Total</b>                      | <b>123,490</b> | <b>125,380</b> | <b>-</b>     | <b>-</b>     | <b>4,344</b> | <b>3,534</b> | <b>24,286</b> | <b>16,860</b> |

## **36. FINANCIAL INSTRUMENTS INCOME, EXPENSE, GAINS/LOSSES**

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

|  | 2020/21  |   | 2019/20  |   |
|--|--|---|--|---|
|  | Surplus/(Deficit) on<br>Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income &<br>Expenditure<br>£000 | Surplus/(Deficit) on<br>Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income &<br>Expenditure<br>£000 |
| <b>Net gains/losses on:</b>  |  |   |  |   |
| Financial assets measured at fair value though profit or loss              | (19)   | -   | (125)  | -   |
| Financial assets measured at amortised cost                                |  |   |  |   |
| <b>Total net gains/losses</b>  | <b>(19)</b>  | <b>-</b>  | <b>(125)</b>   | <b>-</b>  |
| <b>Interest revenue</b>  |  |   |  |   |
| Financial assets measured at amortised cost                                | (77)   |   | (305)  | -   |
| Financial assets measured at fair value through other comprehensive income | -  | -   | -  | -   |
| <b>Total interest revenue</b>  | <b>(96)</b>  | <b>-</b>  | <b>(430)</b>   | <b>-</b>  |
| <b>Total interest expense</b>  | <b>4,783</b>   | <b>-</b>  | <b>4,947</b>   | <b>-</b>  |

## **37. FAIR VALUE OF FINANCIAL INSTRUMENTS**

### Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table below, including the valuation techniques used to measure them.

| Financial assets measured at fair value  |                                     |  |                           |                           |
|--|-------------------------------------|--|---------------------------|---------------------------|
| Recurring fair value measurements        | Input level in fair value hierarchy | Valuation technique                        | Value as at 31/03/21 £000 | Value as at 31/03/20 £000 |
| <b>Fair Value through Profit or Loss</b> |                                     |  |                           |                           |
| UK Gilt                                  | Level 1                             | Unadjusted quoted prices in active markets | -                         | -                         |
| Money Market Funds                       | Level 1                             | Unadjusted quoted prices in active markets | 19,590                    | 14,129                    |
| Certificate of Deposits                  | Level 1                             | Unadjusted quoted prices in active markets | -                         | -                         |
| <b>Total</b>                             |                                     |  | <b>19,590</b>             | <b>14,129</b>             |

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

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

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

| Financial Liabilitites | 31st March 2021      |                 | 31st March 2020      |                 |
|------------------------|----------------------|-----------------|----------------------|-----------------|
|                        | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Financial Liabilities  | 127,835              | 156,920         | 128,914              | 158,155         |

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

| Financial Assets                           | 31st March 2021      |                 | 31st March 2020      |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans & Receivables held at amortised cost | 13,492               | 13,492          | 28,329               | 28,329          |

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

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

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

| Recurring fair value measurements: | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31st March 21<br>£000 |
|------------------------------------|---|---|--|
| <b>Financial Liabilities</b>       |   |   |  |
| PWLB Loans                         | -   | 154,517   | 154,517                                |
| <b>Total 2020/21</b>               | <b>-</b>  | <b>154,517</b>                                    | <b>154,517</b>                         |

| Recurring fair value measurements: | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31st March 20<br>£000 |
|------------------------------------|---|---|--|
| <b>Financial Liabilities</b>       |   |   |  |
| PWLB Loans                         | -   | 156,585   | 156,585                                |
| <b>Total 2019/20</b>               | <b>-</b>  | <b>156,585</b>                                    | <b>156,585</b>                         |

For the remaining £2.4m of financial liabilities, the carrying value has been used as a proxy for fair value.

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

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

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

## **38. NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS**

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

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

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

### Credit Risk

Credit risk arises from deposits placed with financial institutions, which include fixed interest securities traded in an active market, as well as credit exposures to the authority's customers. The risk is minimised through the adoption of the Annual Investment Strategy published annually on our website.

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

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

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating at 31<sup>st</sup> March 2021:

| Credit Rating             | Gross Carrying Amount<br>£000 |
|---------------------------|-------------------------------|
| AAA                       | 19,590                        |
| AA                        | 12,830                        |
| AA-                       | 0                             |
| A+                        | 0                             |
| Unrated Local Authorities | 0                             |

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. At 31<sup>st</sup> March there were no loss allowances related to treasury investments (2020 £nil).

The authority does not generally allow credit for customers, such that £3.552m (£2.149m in 2019/20) of the £5.041m (£3.753m in 2019/20) balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | <b>31st March<br/>2021<br/>£000</b> | <b>31st March<br/>2020<br/>£000</b> |
|------------------------|-------------------------------------|-------------------------------------|
| Less than three months | 1,026                               | 628                                 |
| Three to six months    | 485                                 | 175                                 |
| Six months to one year | 956                                 | 361                                 |
| More than one year     | 1,085                               | 985                                 |
| <b>Total</b>           | <b>3,552</b>                        | <b>2,149</b>                        |

In furtherance of the Council's service objectives, it has lent money to Chesterfield Football Club Community Trust, Staveley Town Council and the Derbyshire Building Control Partnership. The amount recognised on the balance sheet as at 31<sup>st</sup> March 2021 for these instruments totals £662k (31<sup>st</sup> March 2020 £225k).

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy. Loss allowances on loans for service purposes and loan commitments have been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions. As at 31<sup>st</sup> March 2021 loss allowances on service loans amounted to £5,000 (31<sup>st</sup> March 2020 nil).

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB) so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 5% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities is as follows:

| <b>Maturing within</b> | <b>31st March<br/>2021<br/>£000</b> | <b>31st March<br/>2020<br/>£000</b> |
|------------------------|-------------------------------------|-------------------------------------|
| 1 year                 | 4,344                               | 3,534                               |
| 1 to 2 years           | 2,971                               | 1,891                               |
| 2 to 5 years           | 8,587                               | 8,501                               |
| 5 to 10 years          | 13,908                              | 13,793                              |
| 10 to 15 years         | 22,625                              | 20,995                              |
| 15 to 20 years         | 24,600                              | 24,400                              |
| 20 to 25 years         | 18,400                              | 20,000                              |
| 25 to 30 years         | 17,000                              | 17,000                              |
| 30 to 35 years         | 8,200                               | 10,400                              |
| 35 to 40 years         | 6,000                               | 6,000                               |
| 40 to 45 years         | 1,200                               | 2,400                               |
| 45 to 50 years         | -                                   | -                                   |
| <b>Total</b>           | <b>127,835</b>                      | <b>128,914</b>                      |

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

## Market Risk

### Interest Rate Risk

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

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

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

The authority has a number of strategies for managing interest rate risk. For 2020/21, the upper limit for exposure to variable rate debt was set at £60m (£60m in 2019/20).

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

At 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

|   | 2020/21<br>£000 |
|---|-----------------|
| Increase in interest receivable on variable rate investments  | (168)           |
| Decrease in fair value of investments held at FVPL  | 17              |
| Impact on other Comprehensive Income & Expenditure  | (151)           |
| Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure)                    | 19,571          |
| Decrease in fair value of loans and investments at amortised cost (no impact on Comprehensive Income & Expenditure) | -               |

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

### Price Risk

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

### Foreign Exchange Risk

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

## **39. USABLE RESERVES**

|                                   | 31st March    |               |
|-----------------------------------|---------------|---------------|
|                                   | 2021<br>£000  | 2020<br>£000  |
| Earmarked Reserves - Capital      | 2,066         | 1,761         |
| Earmarked Reserves - Revenue      | 23,165        | 10,846        |
| Total Earmarked Reserves (GF)     | 25,231        | 12,607        |
| General Fund (GF) Working Balance | 1,500         | 1,500         |
| HRA Working Balance               | 20,460        | 24,734        |
| Earmarked Reserves - HRA          | 5             | 44            |
| Usable Capital Receipts Reserve   | 3,393         | 4,093         |
| Capital Grants Unapplied          | 5,521         | 4,255         |
| <b>Total Usable Reserves</b>      | <b>56,110</b> | <b>47,233</b> |

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. A detailed breakdown of the Council's earmarked reserves is provided in Note 11. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

| <u>Usable Capital Receipts Reserve</u>  | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Brought forward 1 April</b>          | <b>4,093</b>    | 5,255           |
| Additions                               | 4,111           | 4,244           |
| Capital Receipts Pooled                 | (925)           | (925)           |
| Capital Receipts returned to Government | -               | (270)           |
| Capital Receipts used for financing     | (3,886)         | (4,211)         |
| <b>Carried forward 31 March</b>         | <b>3,393</b>    | 4,093           |

| <u>Capital Grants Unapplied</u>  | 2020/21<br>£000 | 2019/20<br>£000 |
|----------------------------------|-----------------|-----------------|
| <b>Brought forward 1 April</b>   | <b>4,255</b>    | 3,217           |
| Additions                        | 1,395           | 2,173           |
| Transfers (to)/from revenue      | -               | -               |
| Financing of capital expenditure | (129)           | (1,135)         |
| <b>Carried forward 31 March</b>  | <b>5,521</b>    | 4,255           |

#### 40. UNUSABLE RESERVES

|  | <b>31st March</b> |              |
|--|-------------------|--------------|
|  | 2021<br>£000      | 2020<br>£000 |
| Revaluation Reserve                      | 56,137            | 30,936       |
| Capital Adjustment Account               | 300,071           | 306,081      |
| Financial Instruments Adjustment Account | (8)               | (16)         |
| Pensions Reserve                         | (103,222)         | (61,373)     |
| Deferred Capital Receipts Reserve        | 155               | 674          |
| Collection Fund Adjustment Account       | (7,797)           | 462          |
| Accumulated Absences Account             | (390)             | (313)        |
| <b>Total Unusable Reserves</b>           | <b>244,946</b>    | 276,451      |

## **41. REVALUATION RESERVE**

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

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

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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.

|   | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Balance brought forward 1st April             | <b>30,936</b>           | 29,667                  |
| Revaluation gains                             | <b>27,565</b>           | 3,421                   |
| Revaluation & impairment losses               | <b>(316)</b>            | (473)                   |
| Amounts t/f to Cap Adj Account (Depreciation) | <b>(1,794)</b>          | (1,568)                 |
| Amounts t/f to Cap Adj Account (Disposals)    | <b>(254)</b>            | (111)                   |
| <b>Balance carried forward 31st March</b>     | <b>56,137</b>           | 30,936                  |

## **42. CAPITAL ADJUSTMENT ACCOUNT**

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

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

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

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Balance brought forward 1st April</b>  | <b>306,081</b>  | 305,991         |
| <b>Reversal of items recognised in the Comprehensive Income &amp; Expenditure Statement</b> |                 |                 |
| Property, Plant & Equipment: depreciation charges   | (11,927)        | (11,454)        |
| Property, Plant & Equipment: net revaluation gains/(losses)                                 | (15,362)        | (4,189)         |
| Intangible Assets: amortisation charges   | (140)           | (114)           |
| Revenue expenditure funded from capital under statute                                       | (2,098)         | (671)           |
| Disposal/derecognition of non-current assets  | (4,723)         | (6,591)         |
| Gain/(loss) in fair value of investment properties  | (939)           | (3,545)         |
| <b>Amounts transferred from the Revaluation Reserve</b>                                     |                 |                 |
| Depreciation adjustment   | 1,794           | 1,568           |
| Disposal/derecognition adjustment   | 254             | 111             |
| <b>Capital financing provisions</b>   |                 |                 |
| Application of usable capital receipts  | 3,393           | 3,812           |
| Application of major repairs reserve  | 11,603          | 11,234          |
| Application of revenue balances and direct revenue financing                                | 4,238           | 5,807           |
| Capital grants/contributions recognised in revenue during the period                        | 5,639           | 1,925           |
| Application of capital grants unapplied   |                 | -               |
| Minimum revenue provision   | 2,258           | 2,197           |
| <b>Balance carried forward 31st March</b>   | <b>300,071</b>  | 306,081         |

### 43. **PENSIONS RESERVE**

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

|  | 2020/21<br>£000  | 2019/20<br>£000 |
|--|------------------|-----------------|
| <b>Balance brought forward 1st April</b>   | <b>(61,373)</b>  | (80,422)        |
| Adjustment to 2019/20 reported valuation   | 672              |                 |
|  | <b>(60,701)</b>  |                 |
| Actual gains or losses on pensions assets and liabilities  | (38,092)         | 26,158          |
| Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement | (9,097)          | (12,195)        |
|  | <b>(809)</b>     | -               |
| Employers pension contributions  | 5,477            | 5,086           |
| <b>Balance carried forward 31st March</b>  | <b>(103,222)</b> | (61,373)        |

#### **44. DEFERRED CAPITAL RECEIPTS RESERVE**

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

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

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Balance brought forward 1st April</b>                | <b>674</b>      | 680             |
| Additions   |                 | -               |
| Transfer to Capital Receipts Reserve on receipt of cash | (519)           | (6)             |
| <b>Balance carried forward 31st March</b>               | <b>155</b>      | 674             |

#### **45. COLLECTION FUND ADJUSTMENT ACCOUNT**

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

|  | 2020/21<br>£000           | 2019/20<br>£000    |
|--|---------------------------|--------------------|
| <b>Balance brought forward 1st April</b><br><br>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 | <b>462</b><br><br>(8,259) | (645)<br><br>1,107 |
| <b>Balance carried forward 31st March</b>  | <b>(7,797)</b>            | 462                |

#### **46. ACCUMULATED ABSENCES ACCOUNT**

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

|  | 2020/21<br>£000         | 2019/20<br>£000  |
|--|-------------------------|------------------|
| <b>Balance brought forward 1st April</b><br><br>Settlement or cancellation of accrual made at end of preceeding year | <b>313</b><br><br>(313) | 299<br><br>(299) |
| Amounts accrued at end of current year   | <b>390</b>              | 313              |
| <b>Balance carried forward 31st March</b>  | <b>390</b>              | 313              |

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

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Depreciation/Impairment  | (27,668)        | (15,757)        |
| Movement in Fair Value of Investments  | -               | -               |
| (Increase)/decrease in Creditors   | (10,180)        | 2,304           |
| Increase/(decrease) in Debtors   | 3,324           | 1,454           |
| Increase/(decrease) in Stock   | 23              | 12              |
| Movement in Pension Liability  | (3,620)         | (7,110)         |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (4,723)         | (6,591)         |
| Other non-cash items charged to net surplus/deficit on provision of services                     | (1,142)         | (3,463)         |
| <b>Total</b>   | <b>(43,986)</b> | <b>(29,151)</b> |

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

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Proceeds from sale of PPE, investment properties & intangible assets | 6,891           | 4,239           |
| Capital grants   | 3,592           | 2,969           |
| <b>Total</b>   | <b>10,483</b>   | <b>7,208</b>    |

**49. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

|                    | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------|-----------------|-----------------|
| Interest received  | (218)           | (363)           |
| Interest paid      | 4,823           | 4,907           |
| Dividends Received | -               | (20)            |

**50. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Purchase of non-current assets                     | 28,433          | 26,372          |
| Purchase of short term and long term investments   | -               | 28,000          |
| Other payments for investing activities            | 487             | 87              |
| Proceeds from sale of non-current assets           | (4,111)         | (4,244)         |
| Proceeds from short term and long term investments | (28,000)        | (27,500)        |
| Other receipts from investing activities           | (8,529)         | (3,031)         |
| <b>Net cash flows from investing activities</b>    | <b>(11,720)</b> | <b>19,684</b>   |

**51. CASH FLOW STATEMENT – FINANCING ACTIVITES**

|   | <b>2020/21<br/>£000</b> | 2019/20<br>£000 |
|---|-------------------------|-----------------|
| Repayments of short and long term borrowing     | 1,911                   | 1,995           |
| Other payments for financing activities         | 14,074                  | (3,476)         |
| <b>Net cash flows from financing activities</b> | <b>15,985</b>           | <b>(1,481)</b>  |

**52. RELATED PARTY TRANSACTIONS**

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

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

**Central Government**

The UK Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in Note 18 on grant income.

**Members and Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in Note 17. In addition, the Council paid grants totalling £248,799 to voluntary organisations in which 11 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

During 2020/21, work to the value of £68,917 was commissioned from a company in which a member of the immediate family of a council member had an interest. Contracts were entered into in full compliance with the council's standing orders.

### **Subsidiary and Associated Companies**

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

### **Other Arrangements**

The Authority is a non-constituent Council in the Sheffield City Region Combined Authority which came into being on 1<sup>st</sup> April 2014. It consists of 9 local authorities who are working together to promote strategic economic development. It is also a partner in the Derby, Derbyshire, Nottingham, Nottinghamshire (D2N2) Local Enterprise Partnership which has similar objectives.

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

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

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

### **53. CHESTERFIELD & DISTRICT JOINT CREMATORIUM COMMITTEE**

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

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

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

The following percentages have been applied:

| Year    | Chesterfield Borough Council | North East Derbyshire District Council | Bolsover District Council |
|---------|------------------------------|--|---------------------------|
| 2020/21 | 55%                          | 31%                                    | 14%                       |
| 2019/20 | 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

| 2019/20<br>Net<br>Expenditure<br>£000 |                     | 2020/21             |                |                            |
|---------------------------------------|---------------------|---------------------|----------------|----------------------------|
|                                       |                     | Expenditure<br>£000 | Income<br>£000 | Net<br>Expenditure<br>£000 |
| 8                                     | Health & Wellbeing  | 1,052               | (1,082)        | (30)                       |
| 8                                     | Net Cost of Service | 1,052               | (1,082)        | (30)                       |

## Balance Sheet

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
|                 | <u>Long Term Assets</u>                |                 |
| 1,108           | Other Land & Buildings                 | 1,066           |
| 25              | Vehicles, Plant, Furniture & Equipment | -               |
| 36              | Investment Properties                  | 30              |
|                 | <u>Current Assets</u>                  |                 |
| 2               | Stock                                  | 2               |
| 201             | Debtors                                | 179             |
| 1,038           | Cash                                   | 1,223           |
|                 | <u>Current Liabilities</u>             |                 |
| (175)           | Creditors                              | (179)           |
|                 | <u>Long Term Liabilities</u>           |                 |
| 1,115           | Pension Scheme Assets                  | 1,351           |
| (1,595)         | Pension Scheme Liabilities             | (2,081)         |
| <b>1,755</b>    | <b>Net Assets</b>                      | <b>1,591</b>    |
|                 |  |                 |
| 231             | Revaluation Reserve                    | 231             |
| 924             | Capital Adjustment Account             | 852             |
| (480)           | Pensions Reserve                       | (730)           |
| 889             | Earmarked Reserves                     | 1,016           |
| 191             | Balances - Revenue Surplus             | 222             |
| <b>1,755</b>    | <b>Total Reserves</b>                  | <b>1,591</b>    |

## 54. CONTINGENT LIABILITIES

### NNDR Appeals

The Collection Fund account includes a provision for appeals against business rate valuation assessments which were lodged by 31<sup>st</sup> March 2021. Further appeals against valuations on the 2017 valuation list may be received in future years. The value of the liability cannot be estimated for unknown claims which have not yet been received.

### Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The liability on the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred

but not yet reported. Whilst the Council has considered the financial impact in producing the Statement of Accounts, there is a risk that the Council's financial liability could increase from this level.

### Water Charges

On 29 November 2019 the High Court handed down judgment in the case of *Royal Borough of Kingston upon Thames v Moss* (2019). This judgment impacts on social housing landlords who resold water and sewage services to its tenants for the purposes of the Water Industry Act 1991 under an agreement. Until 31 March 2018, the Council had such an agreement with Severn Trent Water Authority (STWA). The High Court's decision was subsequently appealed to the Court of Appeal. The judgment of the Court of Appeal in the *Royal Borough of Kingston upon Thames v Moss [2020]* was published on 27th October 2020. The result of that case is that Kingston lost its appeal to the Court of Appeal over the earlier High Court ruling that it overcharged tenants for water.

As a result of this judgement, it is likely that the Council is bound by the maximum charges provisions of the Water Resale Orders 2001 and 2006, it will have charged tenants sums in excess of the maximum charges and tenants will have a right to recover overpayments of charges. No claims have been received to date. The estimated liability at 31 March 2021 for the refund of these earlier years' charges is a provision of around £0.9m. This is not regarded as material in value and the provision has not been included in the 2020/21 Financial Statements.

## **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 | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-------|-----------------|-----------------|
| <b><u>Income:</u></b>  |       |                 |                 |
| Dwellings Rents  | 1     | 35,391          | 35,457          |
| Charges for Services and Facilities  |       | 376             | 422             |
| Non-Dwelling Rents   |       | 764             | 796             |
| Contribution towards Expenditure   |       | 649             | 524             |
| Total Income   |       | 37,180          | 37,199          |
| <b><u>Expenditure:</u></b>   |       |                 |                 |
| Supervision & Management: General  |       | 6,883           | 6,692           |
| Special  |       | 2,440           | 2,151           |
| Rents, Rates, Taxes & Other Charges  |       | 268             | 401             |
| Repairs and Maintenance  |       | 9,604           | 9,436           |
| Depreciation & Impairment of non-current assets  | 7 & 8 | 24,384          | 10,874          |
| Debt Management Costs  |       | 37              | 37              |
| REFCUS   |       | -               | -               |
| Movement in the allowance for bad debts  |       | 317             | 227             |
| Total Expenditure  |       | 43,933          | 29,818          |
| <b>Net Expenditure/ (Income) of Services as included in the Comprehensive Income &amp; Expenditure Statement</b>   |       | 6,753           | (7,381)         |
| HRA share of Corporate & Democratic Core   |       | 43              | 41              |
| <b>Net Expenditure/ (Income) for HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b> |       | 6,796           | (7,340)         |
| (Gain)/Loss on Disposal of HRA non-current assets  |       | 1,681           | 2,699           |
| HRA share of interest payable & similar charges  |       | 4,621           | 4,790           |
| Interest & Investment Income   |       | -               | (145)           |
| Change in Market Value of Investment Properties  |       | (245)           | 95              |
| Income & Expenditure re Investment Properties  |       | (65)            | (66)            |
| <b>(Surplus)/Deficit on HRA Services</b>   |       | 12,788          | 33              |

| <b>Movement on the HRA Statement</b>  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Balance on HRA at end of previous year  | (24,734)                | (29,237)                |
| (Surplus)/Deficit for year on HRA Income & Expenditure Statement              | 12,788                  | 33                      |
| Adjustments between accounting basis and funding basis under statute (note 9) | (8,475)                 | 4,568                   |
| <b>Net (Increase)/Decrease before transfers to or from reserves</b>           | <b>4,313</b>            | <b>4,601</b>            |
| Transfers to/(from) reserves  | (39)                    | (98)                    |
| <b>(Increase)/decrease in year on HRA</b>                                     | <b>4,274</b>            | <b>4,503</b>            |
| <b>Balance on HRA at end of current year</b>                                  | <b>(20,460)</b>         | <b>(24,734)</b>         |

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

The Council had 8,972 dwellings available for rent during 2020/21. 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, £753,914 (2.13%) of rental income was lost due to vacant properties, in 2019/20 the figure was £683,514 (1.93%). The average weekly rent in 2020/21 was £75.86 (52 week year), an increase of £0.03 (0.04%) on the previous year.

### **2. HOUSING STOCK**

The Council's housing stock at 31st March, 2021 was as follows:

|                     | <b>31-Mar-21</b> | <b>31-Mar-20</b> |
|---------------------|------------------|------------------|
| Houses              | <b>4,436</b>     | 4,472            |
| Flats & maisonettes | <b>3,102</b>     | 3,103            |
| Bungalows           | <b>1,394</b>     | 1,393            |
| Others              | <b>40</b>        | 40               |
| <b>Total</b>        | <b>8,972</b>     | 9,008            |

The number of properties sold under the 'Right to Buy' legislation in 2020/21 was 57 (76 in 2019/20).

### **3. RENT ARREARS**

Rent arrears at the year-end totalled £2,345,159. This compares with £1,821,633 at 31st March, 2020. A provision of £845,082 (£652,506 in 2019/20) 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 31<sup>st</sup> March 2021 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 31<sup>st</sup> March 2021 excludes depreciation and disposals over the period.

| Balance Sheet Valuations of HRA Assets |                                  |                                  |
|--|----------------------------------|----------------------------------|
|  | As at 31st<br>March 2021<br>£000 | As at 31st<br>March 2020<br>£000 |
| Council Dwellings                      | 357,178                          | 344,940                          |
| Other Land & Buildings                 | 3,435                            | 3,544                            |
| Vehicles, Plant, Furniture & Equipment | 148                              | 170                              |
| Assets Under Construction              | 10,390                           | 5,827                            |
| Surplus Assets Not Held for Sale       | 771                              | 791                              |
| Investment Property                    | 837                              | 1,109                            |
| Investment Property Held for Sale      | 3,017                            | 2,500                            |
| <b>Total</b>                           | <b>375,776</b>                   | <b>358,881</b>                   |

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 factor used to convert the OMV of the stock to EUV-SH for inclusion in the balance sheet was increased from 34% to 42% with effect from 1<sup>st</sup> April, 2016.

## 5. HRA CAPITAL EXPENDITURE & FINANCING

| Capital Expenditure                    |               | Capital Financing  |               |
|--|---------------|--|---------------|
|  | £000          |  | £000          |
| Council Dwellings                      | 13,012        | Borrowing  | -             |
| Assets Under Construction              | 6,121         | Capital Receipts Reserve   | 3,392         |
| Vehicles, Plant, Machinery & Equipment | 13            | Major Repairs Reserve  | 11,603        |
| REFCUS                                 | -             | Grants & Contributions<br>Revenue Balances & Direct<br>Revenue Financing | 4,151         |
| <b>Total</b>                           | <b>19,146</b> |  | <b>19,146</b> |

## **6. HRA CAPITAL RECEIPTS**

| HRA Capital Receipts  | 2020/21<br>£000 | 2019/20<br>£000 |
|-----------------------|-----------------|-----------------|
| Council Dwellings     | 3,021           | 3,815           |
| Other Land & Property | 20              | -               |
| <b>Total</b>          | <b>3,041</b>    | <b>3,815</b>    |

## **7. DEPRECIATION**

| HRA Depreciation                         | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Council Dwellings                        | 9,118           | 9,027           |
| Other Land & Property                    | 110             | 102             |
| Vehicles, Plant, Furniture and Equipment | 34              | 1               |
| <b>Total</b>                             | <b>9,262</b>    | <b>9,130</b>    |

## **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          | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Council Dwellings                                  | 15,122          | 1,744           |
| Other Land & Buildings                             |                 | -               |
| Surplus Assets Not Held for Sale                   |                 | -               |
| <b>Revaluation and Impairment Losses</b>           | <b>15,122</b>   | <b>1,744</b>    |
| REFCUS - Social Mobility Scheme                    | -               | -               |
| Movements in the fair value of investment property | (245)           | 95              |
| <b>Total</b>                                       | <b>14,877</b>   | <b>1,839</b>    |

## **9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS**

|  | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Net gain/(loss) on sale of HRA non-current assets          | (1,681)                 | (2,699)                 |
| HRA share of contributions to or from the Pensions Reserve | (410)                   | (706)                   |
| Capital expenditure funded by the HRA                      | 4,151                   | 5,758                   |
| Transfer to/(from) Major Repairs Reserve                   | 2,341                   | 2,104                   |
| Movement in Market Value of Investment Properties (note 8) | 245                     | (95)                    |
| Transfer to/(from) Capital Adjustment Account (note 8)     | (15,122)                | (1,744)                 |
| Voluntary Repayment of Debt                                | 1,926                   | 1,955                   |
| Short Term Accumulated Absences                            | 75                      | (5)                     |
| <b>Total Adjustments</b>                                   | <b>(8,475)</b>          | <b>4,568</b>            |

## 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.

| 2019/20       |  | 2020/21                   |                     |               |
|---------------|--|---------------------------|---------------------|---------------|
| Total<br>£000 |  | Business<br>Rates<br>£000 | Council Tax<br>£000 | Total<br>£000 |
| (52,524)      | <b>Income</b>  | -                         | (53,905)            | (53,905)      |
| (38,889)      | Council Tax (Note 1)                                       | (19,641)                  | -                   | (19,641)      |
| (91,413)      | Business Rates (Note 2)                                    | (19,641)                  | (53,905)            | (73,546)      |
|               | <b>Expenditure</b>   |                           |                     |               |
|               | <b>Apportionment of Previous Year Surplus/(Deficit)</b>    |                           |                     |               |
| (1,590)       | Central Government   | 242                       | -                   | 242           |
| (979)         | Chesterfield Borough Council                               | 440                       | 94                  | 534           |
| (16)          | Derbyshire County Council                                  | 285                       | 693                 | 978           |
| (27)          | Derbyshire Fire Authority                                  | 10                        | 40                  | 50            |
| (3)           | Derbyshire Police & Crime Commissioner                     | -                         | 114                 | 114           |
| (2,615)       |  | 977                       | 941                 | 1,918         |
|               | <b>Precepts, Demands &amp; Shares</b>                      |                           |                     |               |
| 18,238        | Central Government   | 18,904                    | -                   | 18,904        |
| 19,821        | Chesterfield Borough Council                               | 15,123                    | 5,421               | 20,544        |
| 41,647        | Derbyshire County Council                                  | 3,403                     | 39,375              | 42,778        |
| 2,575         | Derbyshire Fire Authority                                  | 378                       | 2,268               | 2,646         |
| 6,282         | Derbyshire Police & Crime Commissioner                     | -                         | 6,613               | 6,613         |
| 88,563        |  | 37,808                    | 53,677              | 91,485        |
|               | <b>Charges to Collection Fund</b>                          |                           |                     |               |
| 233           | Transitional Protection Payments                           | 285                       | -                   | 285           |
| 780           | Increase/(Decrease) in bad debts provision (Note 5)        | 331                       | 260                 | 591           |
| 1,374         | Increase/(Decrease) in provision for appeals (Note 6)      | 355                       | -                   | 355           |
| 164           | Cost of Collection Allowance                               | 163                       | -                   | 163           |
| (2,914)       | <b>(Surplus)/Deficit arising during year</b>               | 20,278                    | 973                 | 21,251        |
| 1,208         | <b>(Surplus)/Deficit Brought Forward</b>                   | (804)                     | (902)               | (1,706)       |
| (1,706)       | <b>(Surplus)/Deficit as at 31st March (Note 3 &amp; 4)</b> | 19,474                    | 71                  | 19,545        |

## 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:-

| <b>Band</b>                         | <b>Estimated No. of Properties</b> | <b>Ratio</b> | <b>Band D Equivalents</b> |
|-------------------------------------|------------------------------------|--------------|---------------------------|
| A disabled                          | 41                                 | 5/9          | 23                        |
| A                                   | 17,282                             | 6/9          | 11,521                    |
| B                                   | 8,421                              | 7/9          | 6,550                     |
| C                                   | 5,404                              | 8/9          | 4,804                     |
| D                                   | 3,512                              | 9/9          | 3,512                     |
| E                                   | 1,793                              | 11/9         | 2,191                     |
| F                                   | 521                                | 13/9         | 753                       |
| G                                   | 196                                | 15/9         | 327                       |
| H                                   | 10                                 | 18/9         | 20                        |
| <b>Totals</b>                       | <b>37,180</b>                      |              | <b>29,701</b>             |
| Less adjustment for collection rate |                                    |              | -520                      |
| <b>Council Tax Base</b>             |                                    |              | <b>29,181</b>             |

The basic amount of Council Tax for a Band D property was £1,823.56 (£1,780.59 2019/20).

#### **2. BUSINESS RATES**

Central Government specifies the annual amount payable by businesses (51.2p in 2020/21 and 50.4p in 2019/20) 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 49.9p for 2020/21 (49.1p in 2019/20).

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 2021 was £102,235,331 (£102,791,861 at 31<sup>st</sup> March 2020).

With effect from 1<sup>st</sup> 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.

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

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated deficit of £704,062 was assumed when setting the Council Tax for 2021/22. The reduced outturn position of £632,835 will be accounted for in the tax calculation for 2022/23.

| <b>ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH</b> |              |              |
|---|--------------|--------------|
|   | 2021<br>£000 | 2020<br>£000 |
| Derbyshire County Council   | (55)         | 664          |
| Derbyshire Police & Crime Commissioner                              | (6)          | 109          |
| Derbyshire Fire Authority   | (3)          | 38           |
| <b>Chesterfield Borough Council</b>                                 | <b>(7)</b>   | <b>91</b>    |
| Council Tax (Deficit)/Surplus                                       | (71)         | 902          |

The deficit 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 2022/23 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 £17,906,326 was assumed in the calculation of business rate income in 2021/22. The increase in deficit of £1,567,357 will be distributed in the income calculation for 2022/23.

| <b>ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH</b> |  | <b>2021</b>    | <b>2020</b> |
|--|--|----------------|-------------|
|  |  | <b>£000</b>    | <b>£000</b> |
| Central Government   |  | (9,737)        | 156         |
| Derbyshire County Council  |  | (1,753)        | 269         |
| Derbyshire Police & Crime Commissioner                                 |  | -              | -           |
| Derbyshire Fire Authority  |  | (195)          | 8           |
| <b>Chesterfield Borough Council</b>                                    |  | <b>(7,789)</b> | <b>371</b>  |
| Business Rates (Deficit)/Surplus                                       |  | (19,474)       | 804         |

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 creditor.

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

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

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

The movements on the impairment provisions are shown below:

| <b>COLLECTION FUND - IMPAIRMENT ALLOWANCE</b> |                         |                                   |   |                         |
|---|-------------------------|-----------------------------------|---|-------------------------|
| Tax   | Brought forward<br>£000 | Write-offs in<br>the year<br>£000 | Increase<br>(/Decrease) in<br>allowance<br>£000 | Carried Forward<br>£000 |
| Business Rates                                | 452                     | (136)                             | 331   | 647                     |
| Council Tax                                   | 1,452                   | (145)                             | 260   | 1,567                   |
| Total   | 1,904                   | (281)                             | 591   | 2,214                   |

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

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

The movement on the appeals provision is shown below:

| <b>COLLECTION FUND - APPEALS PROVISION</b> |                         |  |                         |
|--|-------------------------|--|-------------------------|
| Brought Forward<br>£000                    | Applied in year<br>£000 | Contribution to<br>provision in year<br>£000 | Carried Forward<br>£000 |
| 6,104                                      | (257)                   | 611  | 6,458                   |

**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 £463,469 parish precepts (Staveley £411,374 and Brimington £52,095).

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Expected by 30<sup>th</sup> September 2021