



**CHESTERFIELD**  
BOROUGH COUNCIL



# Statement of Accounts 2016/17

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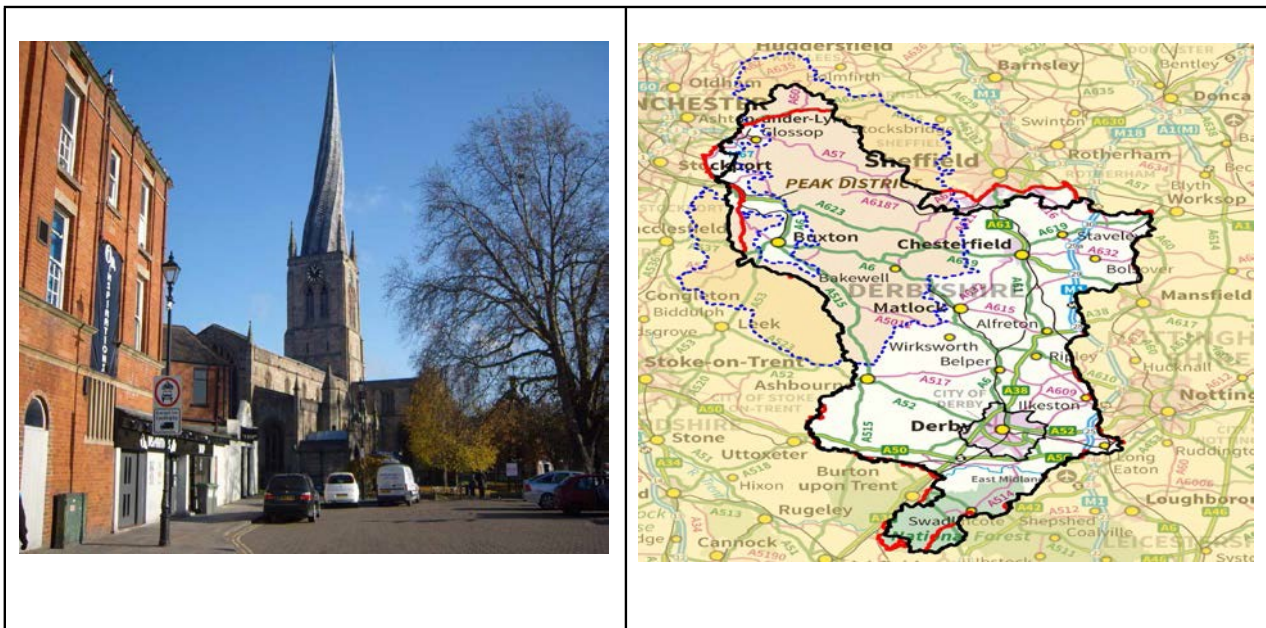
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# NARRATIVE REPORT

## AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL

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

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



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

According to the Office for National Statistics Mid-Year Estimates for 2014 reported that Chesterfield's estimated population was 104,288.

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

**Economic Profile** – a recent economic assessment tells us:

- With over 50,000 jobs, Chesterfield is a significant centre of employment, attracting over 21,000 daily commuters from surrounding areas, mainly North East Derbyshire, Bolsover, Sheffield and Derbyshire Dales. Chesterfield is the most important source of employment for Chesterfield residents with almost 31,000 (or 64%) working within the Borough's boundary.

- 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 3.5m visitors in 2015 with an economic impact of £164m, directly supporting over 1,650 jobs.
- In 2016 there were 3,275 businesses based in Chesterfield. Over the five year period (2011-2016), the stock of businesses increased by 18%, behind the increase seen both regionally and nationally of 23%, but a relatively strong performance when compared to Chesterfield's low rate of employment growth.
- Unemployment currently stands at around 1.8% and has fallen significantly since peaking at over 9% in the early 1990s. The differential with the national rate has gradually narrowed in recent years and actually fell below the national rate for the first time in September 2015. Since that time the local rate has either been at, or just below, the national rate.
- The Indices of Deprivation (2015) ranks Chesterfield as the 85<sup>th</sup> most deprived district in the country (out of 327 districts) measured on a range of deprivation indicators. Chesterfield's relative position has worsened since 2010 when it was ranked 91<sup>st</sup>. Chesterfield has particular issues with the Health & Disability and Employment aspects of deprivation where it is ranked 25<sup>th</sup> and 43<sup>rd</sup> respectively on a national basis.

**Political Structure in 2016/17** – the Council's policies are determined by its Politicians and implemented by the Management Team. Chesterfield has 19 wards and 48 councillors. Following the local election on 7 May 2015 the Labour Party remained in control and the political make-up of the Council became:

	No. Councillors
Labour Party	38
Liberal Democrat Party	8
Independent	2
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 reviewed the Council's financial performance and budget position at regular intervals throughout the year.

**Management Structure** - The organisational management structure is headed by the Chief Executive Dr Huw Bowen. The Chief Executive was supported by the Senior Leadership Team, consisting of two Executive Directors and the Director of Finance and Resources. The Senior Team was in turn supported by six Service Managers, which together formed the Corporate Management Team.

**Employees** – the Council employed 705 full time equivalent staff as at the end of March 2017. 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 2016/17 Progress**

Of the 56 key activities for delivery during 2016/17 forty three have been completed by year end (76%). A further nine activities are expected to be completed in the first half of 2017/18 having experienced delays due to external factors. Including these nine activities 93% of the 2016/17 activities remain on track for completion during the term of the Council Plan.

Key outputs and outcomes for 2016/17 include:

- Working with Sheffield City Region to facilitate business access to apprenticeships and workforce training via the Skills Bank programme to further reduce the number of young people not in education, employment or training. This activity has benefited 210 learners and has brought in a funding contribution of £161,345 so far. A further 48 businesses have skills deals in the pipeline to the value of £351,693 benefitting an additional 719 learners.
- We have firmly established the monthly Artisan market with an average uptake of 60 stalls, building from 40 stalls initially. This has resulted in an uplift of footfall on these Sundays to the town centre.
- The plan for the Northern Gateway site has been approved by the Council. This includes the delivery and works for a new multi-storey car park, provision of public realm works on Elder Way and a new enterprise centre on Holywell Cross. A funding bid has been submitted to Sheffield City Region and grant funding has been approved to support the development.
- Launching the Community Infrastructure Levy to help meet the infrastructure needs and priorities necessary for the sustainable development of Chesterfield. Potential CIL-liability on approved developments was approaching £900,000.
- Delivered over 2,400 improvements to tenant's homes including new kitchens, bathrooms, roofs, wall insulation, rewires.
- During 2016/17 approximately £200,000 of assistance was made available to assist vulnerable home owners to stay in their homes and increase independent living.

- Over 90 events have been delivered or supported by CBC in parks and open spaces across the Borough and our parks have also benefited from support of hundreds of volunteer hours during the year. We estimate that over 17,000 people have been actively engaged in this programme of activity many of them children and young people.
- Developed a project management office which will increase the effectiveness and co-ordination of project management and allow us to prioritise resources for maximum benefit.
- Increased commercial trading to secure a profit to reinvest in council services this included achieving £84k of income from commercial building works.

### Commitments for year 3 and 4 of the Council Plan

The revised Council Plan sets out key commitments to take us through year three and four to the end of the Council Plan. 38 key activities have been developed for delivery during 2017/18 and a further 23 activities for 2018/19. Progress towards these commitments will be monitored and challenged on a quarterly basis via the performance management framework. This includes progress reports for discussion at the Overview and Performance Scrutiny Forum.

### Performance Management Framework

Further improvements to our performance management framework are being introduced for 2017/18. This includes the launch of a Finance, Performance and Strategic Projects Board to effectively challenge the Council's financial position and decision making, performance and make the key link to the Project Management Office to monitor and challenge strategic project delivery.

## **FINANCIAL PERFORMANCE 2016/17**

### **Budget Process**

Before the start of the 2016/17 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The principal funding sources to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rent income. The grant income from the Government and the retained business rates income represents 60% of the General Fund Budget requirement with the remaining 40% coming from the Council Tax. The principal rent income comes from the Council's extensive industrial & commercial property portfolio. Other sources of income include the Council's sports centres, theatre, car parks, planning and other services.

During 2016/17 the Council's finances were subject to:

- Government grant – a cut of £0.5m in the Revenue Support Grant.
- Retained Business Rates – introduced in 2013/14, the scheme allows the Council to share in the growth of this income from within its area which held up against budget. The estimated cost of backdated valuation appeals, however, does suppress the potential income growth.
- Fees, charges and rental income being kept under pressure by economic conditions.



- Council Tax –Government maintained control over any increase by requiring a referendum to be held for an increase of 2% or more. The Council approved a £5 increase in Council Tax for 2016/17 at £149.89 per annum for a Band ‘D’ property.
- 1% rent reductions on our HRA income.
- Savings and efficiencies through vacancy control, voluntary redundancies, service income strategies, asset rationalisation, business rates pooling and budgetary control.

The 2016/17 Council Budget was set at £10.5m and financed as follows:

	<b>Amount £'000</b>	<b>Proportion of total</b>
Government Funding (Revenue Support Grant, retained business rates and other grants)	6,253	60%
Council Tax	4,238	40%
<b>Total Budget (after savings target)</b>	<b>10,491</b>	<b>100%</b>

The budget for 2016/17 which was set in February 2016 showed a deficit of £1.3m before allowing for the planned savings target. A savings target of £1.029m was set leaving a balance of £236k to be financed from reserves or further savings. The savings were to be delivered partly through a business transformation programme titled “Great Place: Great Service”. The programme aims to deliver savings rolling on from prior years and in-year from a wide range of initiatives including reviews of the workforce and voluntary redundancies, asset rationalisation, increased income across services, strict budgetary control, customer service channels and the application of information technology. The Council has made progress across these areas in delivering savings in 2016/17 to balance the budget.

### **Revenue Budget Outturn**

The position at the end of the year was a General Fund surplus of £100k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to £236k deficit budget for 2016/17 included:

- Increased income from business rates growth (+£117k);
  - Reduced costs in Leisure facilities e.g. Sports Centres/Theatre/Winding Wheel (+£252k);
  - Increased rental income from industrial/commercial and town centre properties (+£314k)
  - Net of all other variances (+£35k).
- Less:
- Housing benefits (-£167k);
  - Car park income (-£215k).

Set out below is a summary of the outturn for 2016/17 based on the ‘Portfolio’ structure which is used for internal management and reporting purposes.

**Table: 2016/17 General Fund - Comparison of outturn with the original budget**

	<b>Original Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Portfolios:</b>			
Deputy Leader of the Council	691	<b>722</b>	31
Cabinet Member for Economic Growth	(235)	<b>(419)</b>	(184)
Cabinet Member for Town Centre & Visitor Economy	(300)	<b>(557)</b>	(257)
Cabinet Member for Health and Wellbeing	7,956	<b>6,964</b>	(992)
Cabinet Member for Customers and Communities	2,025	<b>2,011</b>	(14)
Cabinet Member for Finance and Governance	3,629	<b>3,705</b>	76
Cabinet Member for Business Transformation	236	<b>518</b>	282
Portfolio Net Expenditure	14,002	<b>12,944</b>	(1,058)
Transformation Savings*	(1,029)	-	1,029
Direct Service Organisations (surplus)/deficit	(75)	<b>(200)</b>	(125)
Other - Non-Portfolio Expenditure/(Income)	(284)	<b>(482)</b>	(198)
<b>Service Expenditure</b>	12,614	<b>12,262</b>	<b>(352)</b>
Interest & Capital Charges	(2,058)	<b>(1,428)</b>	630
Transfer to/(from) Reserves	171	<b>(319)</b>	(490)
Surplus/(Deficit) to/(from) Budget Risk Reserve	(236)	<b>100</b>	336
<b>Total Expenditure</b>	10,491	<b>10,615</b>	<b>124</b>

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

The General Fund Working Balance was maintained at £1.5m during 2016/17.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 24 and 26 presents this same information but in the format specified by the Code for external reporting purposes.

### **Housing Revenue Account**

The Council continues to be the major provider of rental accommodation in the Borough, with 9,345 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 2016/17 is set out on pages 99 to 105 and shows an increase to the HRA balance of £4,506,521 due mainly to delayed starts on major schemes in the capital programme financed from revenue. These included new build housing, refurbishment of a sheltered housing scheme and estate improvement works.



## **Direct Service Organisations**

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSOs) during 2016/17 which generated a combined surplus of £502,426. Full reports on individual DSOs are separately produced and may be obtained from the Chief Accountant.

## **Capital Spending in 2016/17**

A summary of the capital expenditure and financing is shown in Note 27 to the core financial statements (page 73).

Capital expenditure on General Fund services totalled £5.9m. The main projects included:

- ◆ Waterside development - £2.1m
- ◆ Peak Resort infrastructure - £0.8m
- ◆ Town Hall alterations - £0.3m
- ◆ Queens Park Sports Centre - £0.3m
- ◆ Demolition of old sports centre - £0.3m
- ◆ Car park improvements - £0.2m
- ◆ Pavements Centre refurbishment - £0.4m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £0.9m
- ◆ Innovation Centre Information Technology upgrade - £0.3m
- ◆ Flood Resilience - £0.2m
- ◆ Other - £0.1m

Assets sold in the year included: Sheffield Rd Fire Station and Newbold School.

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £4.1m in 2016/17. The remainder was financed from capital receipts from planned asset sales (£0.5m) and reserves (£1.3m).

Capital expenditure on Council Housing, aimed particularly at maintaining dwellings at the decent homes standard, was £12.9m of which £10.0m was financed from the Major Repairs Reserve and £2.9m from capital receipts.

Total long-term debt outstanding at the end of the year amounted to £131.6m. This should be viewed in relation to the Council's assets which have a net book value of £481m.

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

## **Pension Costs**

The Balance Sheet on page 28 shows the Pension Fund deficit as a Pension Reserve (£63.7m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities. A triennial revaluation of the Derbyshire County Council Local Government pension scheme was conducted in 2016/17. Note 18 sets out in more detail the comprehensive income and expenditure 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 which should make the scheme more affordable.

## **HRA and Balance Sheet Assets**

Our non-current assets on page 28 and in Note 22 are reviewed and valued annually by our property advisors Kier. The Council Dwelling category of assets on the balance sheet have been revised this year to take into account the change to the factor used to convert the 'Open Market Value' of the housing stock to the 'Existing Use Value – Social Housing'. This factor is set by central government on a regional basis and for the East Midlands, the factor has increased from 34% to 42% with effect from 1<sup>st</sup> April 2016. This has increased the value of the council's dwellings on the balance sheet by £62.191m in 2016/17.

## **Reserves & Balances**

The Council reserves are set out in Note 11 on page 53. Reserves moved downwards in some areas such as Property Improvement to fund refurbishment works at the Town Hall and Pavements Shopping Centre.

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

- £0.4m as a provision for significant revenue budget risks
- £0.3m in an Invest to Save fund and
- £0.6m in a Service Improvement Reserve.

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates which will be utilised in 2016/17 and 2017/18. The balance on this reserve is £0.5m.

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 £25m on the Housing Revenue Account at the year-end which will be needed in future years to finance capital improvement works and to help offset some of the budget pressures caused by recent changes in the Government's Housing Policies e.g. the 1% rent reduction each year for four years from 2016/17.

## **Medium Term Outlook**

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

The Local Government Grant Settlement following Councils submitting Efficiency Plans in October 2016 for a 4 year settlement were published in February 2017 providing final figures for 2017/18 and provisional figures for a further two years. The cut in the Council's Settlement Funding Assessment is a decline in Revenue Support Grant from £1.8m 2016/17 to £1.2m in 2017/18, £860k in 2018/19, £434k in 2019/20 and £0 by 2020/21.

In December 2016, following consultation the Government changed New Homes Bonus (NHB) funding rules by introducing a baseline, to build homes below which no NHB would be paid and reduced funding entitlement from 6 years in 2016/17 to 4 years from 2018/19. The result of these changes means the Council had to prudently assume income from NHB declines from £909k in 2016/17 to only £2k by £2020/21 which will have an impact on our future income.

Other principal sources of income Business Rates and Council Tax are projected to increase marginally over the next 4 years. The Governments proposals for 100% Business Rate retention have not been developed into our medium term plans until they become clear.

The 1% reduction in council house rents for 4 years from April 2016 has had an adverse impact on the HRA 30 year Business Plan. As a result of this reduction, and also the introduction of Universal Credit to all claimants of working age from November 2017, a Steering Group comprised of elected members, officers and tenants has been set up to consider the implications for the HRA 30 year Business Plan. In December 2016 they recommended a series of actions to mitigate the worsening financial position of the HRA. These included a reduced and rephased capital programme, reductions to the responsive repairs budget, changing to a 52 week rent year to match with the payment of Universal Credit and measures to reduce rental income lost whilst properties are void.

The Council's Medium Term Financial Plan 'budget' forecast produced in February 2017 shows a budget deficit of £209k in 2017/18 which peaks at £1.7m in 2020/21.

In order to deliver the required savings to meet the budget deficits, the Council has identified specific budget savings targets over the next two years and is reviewing a number of larger service contracts and spending areas for further savings.

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

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

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

The forecasts produced in the Council's Medium Term Financial Plan include assumptions about future pay awards, inflation, investment returns, council tax increases, transformation

savings etc, but there are also a number of other budget risks and uncertainties that cannot be easily quantified at this stage, including:

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

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 PWLB borrowing (alongside asset disposals) will be required to make capital and operational investments to transform services and grow new income sources. The focus will continue to be on reducing the base budget, by both reducing expenditure and increasing income.

### **Corporate Risks and Uncertainties**

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

### **Summary**

In 2016/17 the Council made good progress in addressing the financial challenges it faced and in meeting its Council Plan targets.

The revenue outturn with a £100k surplus was only £5k below the revised forecast for the year. The current Capital Programme was resourced in the short term with only the planned level of prudential borrowing required. An adequate level of reserves has been maintained which will help to provide financial resilience for 2017/18 and future years.

The next few years will continue to be challenging but the Council is confident that it can meet these challenges. The Council has a good track record of responding to such challenges. There are risks, as highlighted above, but the Council has effective risk management processes in place. With robust financial management, an effective management team and the planned improvements in its performance management arrangements the Council will be in a strong position to meet the future challenges.

## **Further Information**

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

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

## **Acknowledgments**

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

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

**K HANLON BSc, FCCA, ACMA, CGMA, MBA  
DIRECTOR OF FINANCE & RESOURCES**



**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 2016/17 and comprise:

**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.

**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.

**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 Director of Finance & Resources;

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

To approve the Statement of Accounts.

### The Director of Finance's Responsibilities

The Director of Finance & Resources 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 Director of Finance & Resources 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.

### **DIRECTOR OF FINANCE'S CERTIFICATE**

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2017.

**KHANLON BSc, FCCA, ACMA, CGMA, MBA**  
**DIRECTOR OF FINANCE & RESOURCES**



# **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 2017 and up to the date of approval of the Statement of Accounts.

## **The Governance Framework**

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

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

The Council Plan is cascaded down through managers, meetings, service plans, team plans, budgets, the medium term financial plan and employee 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. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking 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 policy and provides training for staff and Members on a regular basis. The Constitution is underpinned by legal references. Training needs are identified through Member and

employee performance and development reviews and continuous professional development is encouraged. Policies are readily available on the intranet.

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

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

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

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

Internal Audit is provided on a Consortium basis for Bolsover District Council, North East Derbyshire District Council and Chesterfield Borough Council. The Internal Audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and conforms to the requirements of the CIPFA statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team. The recent 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 the Community Engagement Strategy, the Council's website, the publication of "Your Chesterfield" three times a year 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

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

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

- Completing a £350,000 development of Eastwood park
- Refurbishing 5 children's play areas
- Publishing a draft new Local Plan
- Launching the Community infrastructure Levy
- Ensuring all our homes meet the Decent Homes Standard
- Opening and running the new Queen's Park Sports Centre
- Launched a new Homelessness Strategy

### **A Review of 2015/16 Governance Issues**

A mid - year review of progress against the 2015/16 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. As at March 2017, some actions have been completed but others are in progress and remain to be completed. Where necessary the uncompleted actions have been carried forward to the 2016/17 AGS action plan.

### **Significant Governance Issues**

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Management Team has identified that there are a number of areas where action can be taken to improve the governance arrangements in place. The significant issues are summarised below.

The following significant governance issues have been identified:

<b>No.</b>	<b>Issue Identified</b>	<b>Action to address</b>
1.	Budget – There is a budget gap as identified in the Medium Term Financial Plan 2017/18 – 2019/20. The General Fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council Plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting: <ul style="list-style-type: none"> <li>• Financial Planning Group</li> <li>• Great Place Great Service Board</li> <li>• Corporate Cabinet and CMT 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> </ul>
2.	Data Protection – there is still a significant amount of work required to ensure that the Council will be able to comply with the new European Data Protection Regulations that come in to force from May 2018.	Resources have been allocated to address the weaknesses outstanding. An Information Assurance officer has been appointed.
3.	Information Technology - the Council's IT infrastructure is in need of review to ensure that it is fit for purpose. Although PSN compliance has been achieved there is a need to ensure that this is retained and that IT can successfully support the Council's transformation projects.	The Council has initiated a contractual review of the PPP services and is requesting a 'deep dive' into the ICT service provided by Arvato. Results of the contractual review will be received during the 3 <sup>rd</sup> quarter of 2017 and will inform changes required.
4	Devolution - Plans to become a full member of the Sheffield City Region Combined Authority have been delayed following a legal challenge from Derbyshire County Council. This has resulted in implementation of the SCR devolution deal being delayed as well as any decision about membership or Mayoral elections.	The Council has made the decision to no longer be seeking full membership of the Sheffield City Region (SCR) Combined Authority and will therefore remain a 'non-constituent' member. This decision will have no impact in relation to existing grant funding the Council receives from SCR.
5	Non Housing Property Repairs – The previous 10 year plan has not been adhered to, monitored for completion	Kier has committed to providing additional resource to bring this work back on track as it has continued to be de-prioritised in relation


	or adjusted as a result of condition surveys. This issue has been carried forward from 2015/16.	to other work. This is now likely to be used to inform a fuller re-setting of the property repairs fund leading into the budget setting process for 2018/19.
6	Health and Safety - There has been a lack of capacity to ensure that health and safety arrangements are fit for purpose. This is as a result of major projects in 2016/17 such as the town hall restack that has identified asbestos issues and the opening of the Council's new Queens Park Leisure Centre and demolition of the old leisure centre.	The Health and Wellbeing Manager has produced an Action Plan to resolve the issues that will be monitored for completion by the Standards and Audit Committee and the Health and Safety Committee.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the 2016/17 Annual Governance Statement action plan.

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

**Signed:**

  
 \_\_\_\_\_  
 H Bowen  
 Chief Executive

  
 \_\_\_\_\_  
 Councillor T Gilby  
 Leader of Chesterfield Borough Council

**Date:**

## 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

2015/16 Net Expenditure Chargeable to the General Fund and HRA Balances (£000's)	2015/16 Adjustment between Funding and Accounting Basis (£000's)	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement (£000's)	Portfolio	2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances (£000's)	2016/17 Adjustment between Funding and Accounting Basis (£000's)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement (£000's)
153 (550)	253 1,931	406 1,381	Deputy Leader of the Council Cabinet Member for Economic Growth	553 (4,252)	(313) 5,374	240 1,122
(3,186)	4,019	833	Cabinet Member for Town Centre and Visitor Economy	1,612	(677)	935
10,364	(605)	9,759	Cabinet Member for Health and Well Being	6,260	210	6,470
1,839	104	1,943	Cabinet Member for Customers and Communities	1,991	36	2,027
2,850	1,427	4,277	Cabinet Member for Finance and Governance	3,074	429	3,503
(737)	1,361	624	Cabinet Member for Business Transformation	(1,255)	1,719	464
(8,508)	(8,673)	(17,181)	Housing Revenue Account (HRA)	(10,014)	(61,895)	(71,909)
<b>2,225</b> (4,011)	<b>(183)</b> (494)	<b>2,042</b> (4,505)	<b>Net Cost of Service</b> Other Income and Expenditure	<b>(2,031)</b> (556)	<b>(55,117)</b> (2,524)	<b>(57,148)</b> (3,080)
<b>(1,786)</b>	<b>(677)</b>	<b>(2,463)</b>	<b>(Surplus)/Deficit</b>	<b>(2,587)</b>	<b>(57,641)</b>	<b>(60,228)</b>
<b>(30,961)</b> (1,786)			<b>Opening General Fund and HRA Balance</b> Movement	<b>(32,747)</b> (2,587)		
<b>(32,747)</b>			<b>Closing General Fund and HRA Balance</b>	<b>(35,334)</b>		
<b>(12,578)</b>			<b>Opening General Fund Balance</b> Movement	<b>(11,924)</b> 1,910		
<b>(11,924)</b>			<b>Closing General Fund Balance</b>	<b>(10,014)</b>		
<b>(18,383)</b> (2,440)			<b>Opening HRA Balance</b> Movement	<b>(20,823)</b> (4,497)		
<b>(20,823)</b>			<b>Closing HRA Balance</b>	<b>(25,320)</b>		



## **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 (restated) £000	Housing Revenue Account (restated) £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 31 <sup>st</sup> March 2015	12,579	18,382	700	2,279	749	34,689	178,333	213,022
<b>Movement in reserves during 2015/16</b>								
Total Comprehensive Income & Expenditure	(8,651)	11,114	-	-	-	2,463	22,208	24,671
Adjustments between accounting basis & funding basis under regulations (note 10)	7,996	(8,673)	(39)	(2,279)	(306)	(3,301)	3,301	-
<b>Net Increase / (Decrease) in 2015/16</b>	<b>(655)</b>	<b>2,441</b>	<b>(39)</b>	<b>(2,279)</b>	<b>(306)</b>	<b>(838)</b>	<b>25,509</b>	<b>24,671</b>
Balance at 31 <sup>st</sup> March 2016 carried forward (notes 11, 44 & 45)	11,924	20,823	661	-	443	33,851	203,842	237,693
<b>Movement in reserves during 2016/17</b>								
Total Comprehensive Income & Expenditure	(6,164)	66,391	-	-	-	60,227	6,841	67,068
Adjustments between accounting basis & funding basis under regulations (note 10)	4,255	(61,895)	2,813	-	681	(54,146)	54,146	-
<b>Net Increase / (Decrease) in 2016/17</b>	<b>(1,909)</b>	<b>4,496</b>	<b>2,813</b>	<b>-</b>	<b>681</b>	<b>6,081</b>	<b>60,987</b>	<b>67,068</b>
Balance at 31 <sup>st</sup> March 2017 carried forward (notes 11, 44 & 45)	10,015	25,319	3,474	-	1,124	39,932	264,829	304,761

## **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**

2015/16			2016/17			
Expenditure (restated) £000	Income (restated) £000	Net Expenditure (restated) £000		Expenditure £000	Income £000	Net Expenditure £000
1,649	(1,243)	406	Deputy Leader of the Council	1,945	(1,705)	240
2,937	(1,556)	1,381	Cabinet Member for Economic Growth	5,804	(4,682)	1,122
8,530	(7,697)	833	Cabinet Member for Town Centre and Visitor Economy	9,037	(8,102)	935
17,116	(7,357)	9,759	Cabinet Member for Health and Well Being	15,703	(9,233)	6,470
43,674	(41,731)	1,943	Cabinet Member for Customers and Communities	42,365	(40,338)	2,027
6,611	(2,334)	4,277	Cabinet Member for Finance and Governance	5,964	(2,461)	3,503
3,529	(2,905)	624	Cabinet Member for Business Transformation	3,785	(3,321)	464
84,046	(64,823)	19,223	COST OF GENERAL FUND SERVICES	84,603	(69,842)	14,761
22,856	(40,037)	(17,181)	Local Authority Housing (HRA)	28,801	(38,519)	(9,718)
-	-	-	HRA Exceptional Item (Note 5)	(62,191)	-	(62,191)
106,902	(104,860)	2,042	COST OF SERVICES	51,213	(108,361)	(57,148)
2,437	-	2,437	Other operating expenditure (Note 12)	2,534	-	2,534
13,916	(4,928)	8,988	Financing and investment income & expenditure (Note 13)	11,561	(5,447)	6,114
-	(15,930)	(15,930)	Taxation and non-specific grant income (Note 14)	-	(11,728)	(11,728)
		(2,463)	(Surplus)/Deficit on Provision of Services			(60,228)
		(4,444)	(Surplus)/deficit on revaluation of Property, Plant & Equipment			(6,888)
		-	(Surplus)/deficit on revaluation of available for sale financial assets			-
		(17,764)	Actuarial (gains)/losses on pension liabilities			48
		(22,208)	Other Comprehensive Income & Expenditure			(6,840)
		(24,671)	Total Comprehensive Income & Expenditure			(67,068)

## **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 2017**

2015/16 £000		2016/17 £000	Notes
281,712	Council Dwellings	<b>343,059</b>	)
67,490	Other Land & Buildings	<b>69,437</b>	)
547	Vehicles, Plant, Furniture & Equipment	<b>497</b>	)22,23,
3,155	Infrastructure Assets	<b>2,914</b>	)26,27,
4,072	Community Assets	<b>4,072</b>	)29
309	Assets Under Construction	<b>1,238</b>	)
1,233	Surplus Assets Not Held for Sale	<b>1,238</b>	)
<b>358,518</b>	<b>Property, Plant &amp; Equipment</b>	<b>422,455</b>	
2,902	Heritage Assets	<b>2,902</b>	24
54,717	Investment Properties	<b>50,387</b>	28
619	Intangible Assets	<b>485</b>	25
4,519	Long Term Investments	<b>4,506</b>	
1,189	Long Term Debtors	<b>254</b>	32
<b>422,464</b>	<b>Long Term Assets</b>	<b>480,989</b>	
-	Assets Held for Sale - Property, Plant & Equipment	-	37
158	Assets Held for Sale - Investment Properties	<b>43</b>	37
9,059	Short Term Investments	<b>17,592</b>	
204	Inventories	<b>203</b>	34
6,873	Short Term Debtors	<b>6,550</b>	35
13,364	Cash & Cash Equivalents	<b>17,130</b>	36
<b>29,658</b>	<b>Current Assets</b>	<b>41,518</b>	
(4,425)	Short Term Borrowing	<b>(4,372)</b>	
(10,489)	Short Term Creditors	<b>(13,299)</b>	38
(453)	Short Term Provisions	<b>(1,170)</b>	39
(501)	Cash Overdrawn	<b>(522)</b>	36
<b>(15,868)</b>	<b>Current Liabilities</b>	<b>(19,363)</b>	
(133,494)	Long Term Borrowing	<b>(131,553)</b>	
(3,634)	Long Term Provisions	<b>(2,751)</b>	39
(60,998)	Net Pension Scheme Liabilities	<b>(63,741)</b>	18 & 49
(176)	Other Long Term Liabilities	<b>(180)</b>	
(259)	Capital Grants Receipts in Advance	<b>(158)</b>	
<b>(198,561)</b>	<b>Long Term Liabilities</b>	<b>(198,383)</b>	
<b>237,693</b>	<b>Net Assets</b>	<b>304,761</b>	
33,852	Usable Reserves	<b>39,932</b>	11,44
203,841	Unusable Reserves	<b>264,829</b>	45-52
<b>237,693</b>	<b>Total Reserves</b>	<b>304,761</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

2015/16 £000		2016/17 £000
(2,464)	Net (surplus)/deficit on provision of services	(60,228)
(25,567)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 53)	35,442
9,579	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 54)	11,864
(18,452)	Net cash flows from Operating Activities (Note 55)	(12,922)
1,801	Investing Activities (Note 56)	9,892
2,051	Financing Activities (Note 57)	(715)
<b>(14,600)</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>(3,745)</b>
1,737	Cash and cash equivalents at beginning of reporting period	(12,863)
<b>(12,863)</b>	<b>Cash and cash equivalents at end of reporting period (Note 36)</b>	<b>(16,608)</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 2016/17 financial year and its position at the year end 31<sup>st</sup> March 2017.

The Accounts and Audit Regulations 2015 require the authority to produce an annual Statement of Accounts to be prepared in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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. 2016/17 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, wages, paid annual and sick leave and bonuses, and are recognised as an expense for services in the year in which employees render service to the Authority.

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

##### Termination Benefits

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

##### Post Employment Benefits

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

##### The Local Government Pension Scheme

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

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

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

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

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

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

## **1.7 VALUE ADDED TAX**

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

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

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

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

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

## **1.9 INVENTORIES**

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

## **1.10 RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by 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.

## **1.11 PROVISIONS**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 81).

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.

## **1.12 INVESTMENT PROPERTY**

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

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

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

## **1.13 PROPERTY, PLANT & EQUIPMENT**

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

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

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

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

- infrastructure, community assets and assets under construction are included in the balance sheet at depreciated historic cost.

- dwellings are included in the balance sheet at current value, on the basis of existing use for social housing
- all other assets are valued at current value, on the basis of existing use

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

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

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

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

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

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

## **1.14 DEPRECIATION & IMPAIRMENT**

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

Depreciation charges are calculated as follows:

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

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

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

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

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

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

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

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

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

## 1.15 **HERITAGE ASSETS**

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

### Historic Sites & Buildings

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

### War Memorials/Other Monuments

The Authority has 17 war memorials together with various other monuments, including the Peace Fountain in Eastwood Park. Four war memorials and the fountain are included in the balance sheet. They were not acquired recently and reliable information on cost is not available. These assets are not insured and it is considered



impractical to obtain valuation information due to a lack of comparable transactions and the relative insignificance of the assets in purely financial terms. Therefore, with the exception of assets already on the balance sheet, no other existing assets in this category will be recognised. Assets acquired in future will be measured at historical cost.

#### Percent For Art

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

#### Rosewall Sculpture

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

#### Mayoral Regalia and Civic Plate, Paintings and Porcelain

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

#### Museum Collection

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

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

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

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

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

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

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

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

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

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

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

### **1.18 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

### **1.19 LEASES**

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

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

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

#### Finance Leases

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

#### Operating Leases

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

#### The Authority as Lessor

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

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

## 1.20 FINANCIAL INSTRUMENTS

### Financial Liabilities

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

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

### Financial Assets

Financial assets are classified into three types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no group accounts identified for 2016/17.

## **1.22 JOINTLY CONTROLLED OPERATIONS**

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

The Council has a joint operation with Bolsover District Council and North East Derbyshire District Council who together operate the Chesterfield & District Joint Crematorium. The Council recognises on its balance sheet, its share of the assets that it controls and liabilities incurred and its share of the expenditure and income earned from the operation on its Comprehensive Income & Expenditure Statement. Note 60 on page 96 provides further details.

## **1.23 CONTINGENT ASSETS/LIABILITIES**

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

## **1.24 PRIOR PERIOD ADJUSTMENTS**

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

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

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

## **1.25 PRIVATE PUBLIC PARTNERSHIP**

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

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

## **1.26 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

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

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

## **1.27 FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

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

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collection 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.

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

The Code of Practice on Local Authority Accounting for 2017/18 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 in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

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

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

The items in the Balance Sheet at 31<sup>st</sup> March 2017, for which there is a significant risk of material adjustment in the forthcoming year are as follows:



Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including mortality rates, expected return on fund assets and future salary rate increases. A firm of actuaries are engaged by the pension fund administrator to advice on the assumptions to be applied.	These assumptions interact in complex ways. During 2016/17, the actuaries advised that the net pensions liability had reduced by £13.767m because of estimates being corrected as a result of experience and increased by £13.675m attributable to updating their assumptions.
Arrears	At 31 <sup>st</sup> March 2017, the Authority had a balance of sundry debtors of £5.0m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £2.0m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £50k 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 £836k 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 23, 28 and 42.</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.

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

The programme of capital expenditure on Council Housing remained high at £12.9m in 2016/17. This spending is aimed at maintaining dwellings at the decent homes standard. It is anticipated that this level of investment will continue into future years.

There was one item disclosed separately during 2016/17. This related to the revaluation of the regional reduction for social housing. Council Housing Stock is valued on the basis of market value with vacant possession less a regional reduction. For 2016/17 this has been revised to 42% from a 2015/16 factor of 34%. This adjustment has resulted in an increase in the value of the Council's housing stock of £62.191m.

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

The statement of accounts was authorised for issue on 30/06/2017 by the Director of Finance, Kevin Hanlon FCCA, ACMA, GCMA. This is also the date up to which events after 31<sup>st</sup> March 2017 have been considered.

Following the Grenfell Tower fire a full inspection of our housing stock was undertaken and it was confirmed that none of our properties contains or has installed any Aluminium Composite Material cladding panels. In addition we do not own or manage any properties which are higher than 5 floors.

## 7. **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 2016/17</b>				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Deputy Leader of the Council	71	116	(500)	(313)
Economic Growth	5,364	10	0	5,374
Town Centre & Visitor Economy	(746)	71	(2)	(677)
Health & Wellbeing	(315)	524	1	210
Customers & Communities	71	-	(35)	36
Finance & Governance	8	422	(1)	429
Business Transformation	294	1,425	-	1,719
Housing Revenue Account	(60,011)	126	(2,010)	(61,895)
<b>Net Cost of Services</b>	<b>(55,264)</b>	<b>2,694</b>	<b>(2,547)</b>	<b>(55,117)</b>
Other income & expenditure from Expenditure & Funding Analysis	(401)	-	(2,123)	(2,524)
<b>Difference between General Fund deficit &amp; CIES deficit on Provision of Services</b>	<b>(55,665)</b>	<b>2,694</b>	<b>(4,670)</b>	<b>(57,641)</b>

<b>Adjustments between Funding and Accounting Basis 2015/16</b>				
Portfolios	Adjustment for Capital Purposes £000	Net change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Deputy Leader of the Council	58	178	17	253
Economic Growth	1,867	53	11	1,931
Town Centre & Visitor Economy	3,724	285	10	4,019
Health & Wellbeing	(1,241)	635	1	(605)
Customers & Communities	100	4	-	104
Finance & Governance	-	1,397	30	1,427
Business Transformation	325	1,026	10	1,361
Housing Revenue Account	(6,880)	263	(2,056)	(8,673)
<b>Net Cost of Services</b>	<b>(2,047)</b>	<b>3,841</b>	<b>(1,977)</b>	<b>(183)</b>
Other income & expenditure from Expenditure & Funding Analysis	(317)	-	(177)	(494)
<b>Difference between General Fund deficit &amp; CIES deficit on Provision of Services</b>	<b>(2,364)</b>	<b>3,841</b>	<b>(2,154)</b>	<b>(677)</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	
	2016/17 £000	2015/16 £000
Deputy Leader of the Council	(457)	(646)
Economic Growth	(2,984)	(2,938)
Town Centre & Visitor Economy	(9,280)	(9,423)
Health & Wellbeing	(5,754)	(5,018)
Customers & Communities	(37,073)	(38,623)
Finance & Governance	(259)	(354)
Business Transformation	(160)	(206)
Housing Revenue Account	(39,805)	(41,213)
<b>Total Income analysed on a segmental basis</b>	<b>(95,772)</b>	<b>(98,421)</b>

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

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

	2016/17 £000	2015/16 £000
<b>Expenditure</b>		
Employee expenses	14,383	15,301
Other service expenses	69,258	71,650
Support service recharges	12,418	11,241
Depreciation, amortisation and impairment	(40,557)	16,864
Transfers to/from reserves	(32)	94
Interest payments	7,723	7,880
Precepts	404	357
Payments to Housing Capital Receipts Pool	933	941
Gain/Loss on Disposal of Fixed Assets	1,150	1,087
<b>Total Expenditure</b>	<b>65,680</b>	<b>125,415</b>

<b>Income</b>		
Fees, Charges & Other Service Income	(57,496)	(56,173)
Government Grants	(44,265)	(45,282)
Recharges & Other Income	(15,718)	(18,962)
Interest & Investment Income	(367)	(324)
Income from Business Rates	(3,379)	(2,681)
Income from Council Tax	(4,683)	(4,456)
<b>Total Income</b>	<b>(125,908)</b>	<b>(127,878)</b>
<b>Surplus/Deficit on Provision of Services</b>	<b>(60,228)</b>	<b>(2,463)</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.

2016/17	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Depreciation, impairment & revaluation losses of non-current assets	1,944	(50,878)				48,934
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,916	6,362				(8,278)
Movement in market value of Investment Properties	2,929	(201)				(2,728)
Amortisation of intangible assets	134					(134)
Capital grants & contributions applied	(4,219)				181	4,038
Revenue expenditure funded from capital under statute	3,957					(3,957)
<b>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Statutory provision for financing of capital investment	(466)					466

Capital expenditure charged against General Fund and HRA balances	(1,367)					1,367
Voluntary Repayment of Debt		(2,046)				2,046
Community Infrastructure Levy (CIL) Receipts	(500)				500	-
Transfers between Other Reserves	(35)	35	4			(4)
<b><u>Adjustments primarily involving Capital Receipts Reserve:</u></b>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,384)			3,384
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	934		(934)			-
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(1,883)	(5,244)	7,127			-
<b><u>Adjustment primarily involving Major Repairs Reserve:</u></b>						
HRA depreciation & impairment		(7,579)		7,579		
Excess of Major Repairs Allowance Over HRA depreciation		(2,470)		2,470		
Use of Major Repairs Reserve to finance new capital expenditure				(10,049)		10,049
<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 Pensions Reserve:</u></b>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	7,307	126				(7,433)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,739)					4,739
<b><u>Adjustments primarily involving the Collection Fund Adjustment Account:</u></b>						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	(1,649)					1,649
<b><u>Adjustment primarily involving the Accumulated Absences Account:</u></b>						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	-	-				-
<b><u>Transfers between other reserves</u></b>						
<b><u>Total Adjustments</u></b>	4,255	(61,895)	2,813	0	681	54,146

2015/16	Usable Reserves					Movement in Unusable Reserves (restated) £000
	General Fund Balance (restated) £000	Housing Revenue Account £000	Capital Receipts Reserve (restated) £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Depreciation, impairment & revaluation losses of non-current assets	4,213	4,837				(9,050)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	335	4,956				(5,291)
Movement in market value of Investment Properties	4,684					(4,684)
Amortisation of intangible assets	19					(19)
Capital grants & contributions applied	(5,307)				(306)	5,613
Revenue expenditure funded from capital under statute	1,225					(1,225)
<b>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Statutory provision for financing of capital investment	(329)					329
Capital expenditure charged against General Fund and HRA balances	(1,224)	(3,097)				4,321
Voluntary Repayment of Debt		(2,077)				2,077
Transfers between Other Reserves	2		34			(36)
<b>Adjustments primarily involving Capital Receipts Reserve:</b>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,336)			3,336
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	941		(941)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(369)	(3,835)	4,204			
<b>Adjustment primarily involving Major Repairs Reserve:</b>						
HRA depreciation & impairment		(7,268)		7,268		
Excess of Major Repairs Allowance Over HRA depreciation		(2,473)		2,473		
Use of Major Repairs Reserve to finance new capital expenditure				(12,020)		12,020
<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	(4)					4
<b>Adjustments primarily involving Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited/credited to	7,920	263				(8,183)

Comprehensive Income & Expenditure Statement						
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,342)					4,342
<b><u>Adjustments primarily involving the Collection Fund Adjustment Account:</u></b>						
Amount by which council tax and business rate income credited to Comprehensive Income & Expenditure Statement is different from council tax and business rate income calculated for year in accordance with statutory requirements	153					(153)
<b><u>Adjustment primarily involving the Accumulated Absences Account:</u></b>						
Amount by which salaries charged to Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	79	21				(100)
<b><u>Total Adjustments</u></b>	<b>7,996</b>	<b>(8,673)</b>	<b>(39)</b>	<b>(2,279)</b>	<b>(306)</b>	<b>3,301</b>

#### 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 1/4/2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance 31/03/2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance 31/03/2017 £000
<b>General Fund</b>							
Vehicles & Plant	1,211	381	(743)	849	423	(365)	907
Information Technology	-	146	(14)	132	608	(364)	376
<b>Crematorium</b>							
Mercury Abatement	168	54	-	222	58	-	280
Capital Improvements	474	95	(142)	427	107	(367)	167
<b>Capital Reserves</b>	<b>1,853</b>	<b>676</b>	<b>(899)</b>	<b>1,630</b>	<b>1,196</b>	<b>(1,096)</b>	<b>1,730</b>
<b>General Fund</b>							
Invest to Save	286	-	(11)	275	-	(23)	252
Budget Risk Reserve	780	788	(525)	1,043	205	(802)	446
Service Improvement	1,153	34	(198)	989	34	(409)	614
Property Improvement	717	1,418	(1,392)	743	1,347	(1,537)	553
Insurance	567	-	-	567	30	-	597
Tenants Property	671	280	(231)	720	256	(562)	414
Tapton Innovation Centre	225	26	(8)	243	26	(114)	155
DSO/DLO Reserve	574	17	(228)	363	90	(48)	405
Legal Services	-	12	-	12	-	(12)	-
Planning Inquiry	260	-	-	260	-	(20)	240
Flood Restoration	82	-	(8)	74	-	-	74
Asset Management	44	-	(27)	17	-	(1)	16
Elections Equipment	2	-	-	2	-	-	2
Working Neighbourhoods	118	-	(118)	-	-	-	-
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	11	-	-	11	7	(11)	7
Risk Management Fund	5	5	(5)	5	5	(6)	4
S106	330	9	(49)	290	14	(31)	273
Revenue Grants Unapplied	777	234	(483)	528	104	(168)	464
MMI Insurance Reserve	503	-	(137)	366	-	(1)	365
Severn Trent Water	-	30	-	30	-	-	30
Barrow Hill Bridge	40	-	-	40	10	(40)	10
Business Rates	1,122	316	-	1,438	250	(1,186)	502
Repaid Improvement Grants	175	108	(28)	255	69	(90)	234
Zurich Insurance Risk Reserve	5	10	(15)	-	-	-	-
Building Control	75	-	(55)	20	13	(33)	-
Great Place: Great Service	105	-	(105)	-	-	-	-
Northern Gateway	-	-	-	-	200	-	200
Theatre Restoration	-	-	-	-	291	(22)	269
Deficit Reduction	-	-	-	-	407	-	407
<b>Crematorium</b>							
Crematorium Balance	268	198	(54)	412	-	(250)	162
Cremator Repairs	40	14	(6)	48	11	-	59
Crematorium Equipment	12	3	-	15	1	(15)	1
Organ Reserve	3	-	-	3	1	-	4
<b>Revenue Reserves</b>	<b>8,975</b>	<b>3,502</b>	<b>(3,683)</b>	<b>8,794</b>	<b>3,371</b>	<b>(5,381)</b>	<b>6,784</b>
<b>Total Earmarked Reserves</b>	<b>10,828</b>	<b>4,178</b>	<b>(4,582)</b>	<b>10,424</b>	<b>4,567</b>	<b>(6,477)</b>	<b>8,514</b>
<b>General Fund Working Balance</b>	<b>1,750</b>	<b>-</b>	<b>(250)</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>1,500</b>
<b>HRA</b>							
Housing Revenue Account Balance	18,026	2,445	-	20,471	4,506	-	24,977
Major Repairs Reserve (HRA)	2,279	9,740	(12,019)	-	10,049	(10,049)	-
Revenue Grants Unapplied	356	36	(40)	352	22	(32)	342
<b>Total HRA Reserves</b>	<b>20,661</b>	<b>12,221</b>	<b>(12,059)</b>	<b>20,823</b>	<b>14,577</b>	<b>(10,081)</b>	<b>25,319</b>

**12. OTHER OPERATING EXPENDITURE**

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Parish council precepts	<b>404</b>	357
Payments to Housing Capital Receipts Pool	<b>934</b>	941
(Gains)/losses on disposal of non-current assets	<b>1,150</b>	1,086
Other	<b>46</b>	53
<b>TOTAL</b>	<b>2,534</b>	2,437

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

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Interest payable & similar charges	<b>5,303</b>	5,461
Net interest on net defined benefit liability	<b>2,143</b>	2,420
Interest and Investment Income	<b>(367)</b>	(325)
Income and expenditure in relation to Investment Properties	<b>(3,239)</b>	(3,086)
(Gain)/loss on disposal of Investment Properties	-	-
Changes in fair value of Investment Properties	<b>2,728</b>	4,683
(Gain)/loss on trading accounts	<b>(454)</b>	(165)
<b>TOTAL</b>	<b>6,114</b>	8,988

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

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Council tax income	<b>(4,684)</b>	(4,456)
Business Rates income & expenditure	<b>(3,379)</b>	(2,681)
Non-ringfenced government grants	<b>(3,466)</b>	(4,139)
Capital grants and contributions	<b>(199)</b>	(4,654)
<b>TOTAL</b>	<b>(11,728)</b>	(15,930)

## 15. OTHER TRADING UNDERTAKINGS

In 2016/17, the following trading activities were reported within the Comprehensive Income & Expenditure Statement. The Service Reporting Code of Practice requires trading accounts that are an integral part of the total cost of a service to be consolidated fully into the total cost of that service.

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

	2016/17			2015/16
	Gross Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	995	(1,150)	<b>(155)</b>	(213)
Trade Refuse	526	(646)	<b>(120)</b>	(91)
Industrial Units	3,560	(4,893)	<b>(1,333)</b>	(1,457)
Town Centre shops	2,822	(3,723)	<b>(901)</b>	(1,109)
	7,903	(10,412)	<b>(2,509)</b>	(2,870)

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

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

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

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

## 16. OFFICERS' REMUNERATION

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

Remuneration Band	No. of Employees	
	2016/17	2015/16
£50,000 - £54,999	5	4
£55,000 - £59,999	2	1
£60,000 - £64,999	1	-
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	2
£80,000 - £84,999	-	-
£85,000 - £89,999	2	2
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1

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

<b>2016/17</b>	Salary (incl fees & allowances)	Expense Allowances	Benefits in Kind (e.g car allowance)	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2016/17	Pension Contributions	Total Remuneration incl pension contributions 2016/17
Post title	£	£	£	£	£	£	£
Chief Executive	105,671	-	742	-	106,413	13,932	120,345
Executive Director	87,567	-	-	-	87,567	11,559	99,126
Executive Director	87,567	-	424	-	87,991	11,559	99,550
Chief Finance Officer (a)	16,870	340	32	36,882	54,124	2,227	56,351
Acting Chief Finance Officer (b)	21,008	-	-	-	21,008	2,773	23,781
Director of Finance & Resources (c)	32,000	269	-	-	32,269	4,224	36,493
<b>Total</b>	<b>350,683</b>	<b>609</b>	<b>1,198</b>	<b>36,882</b>	<b>389,372</b>	<b>46,274</b>	<b>435,646</b>

- (a) The Chief Finance Officer left on 30/6/16 following a restructure of the Corporate Management Team.
- (b) The Acting Chief Finance Officer covered the role on a temporary basis from 1/7/16 to 6/11/16.
- (c) The Director of Finance & Resources commenced in this new role from 7/11/16.

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

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

Exit package cost band	Number of compulsory redundancies						cost of exits in each band 2015/16
	2016/17	2015/16					
						£000	
£0 - £20,000	20	16	9	9	29	25	65
£20,001 - £40,000	-	3	6	-	6	3	49
<b>Total</b>	<b>20</b>	<b>19</b>	<b>15</b>	<b>9</b>	<b>35</b>	<b>28</b>	<b>14</b>

## 17. AGENCY SERVICES

The Council previously had an agency agreement with Derbyshire County Council whereby the Council was responsible for maintaining highways within the Borough on behalf of the County Council. Although this agreement has been terminated, the Council continues to provide an amenity maintenance service on behalf of the County Council and they reimburse the Chesterfield Borough Council for this work, including a contribution towards administrative costs. Total expenditure in 2016/17 was £130,424 (£204,747 in 2015/16).

## 18. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Scheme

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

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

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

### Transactions Relating to Post-employment Benefits

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

<b>Transactions Relating to Retirement Benefits</b>		
<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Cost of Services		
Service cost comprising:		
• Current service cost	<b>5,001</b>	5,731
• Past service costs	<b>289</b>	32
Financing & Investment Income and Expenditure		
• Net interest expense	<b>2,144</b>	2,420
<b>Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services</b>	<b>7,434</b>	8,183
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	<b>(22,461)</b>	4,480
• Actuarial gains and losses arising on changes in demographic assumptions	<b>(2,594)</b>	-
• Actuarial gains and losses arising on changes in financial assumptions	<b>38,854</b>	(19,564)
• Other	<b>(13,751)</b>	(2,680)
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>7,482</b>	(9,581)

<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	<b>(7,434)</b>	(8,183)
Actual amount charged against General Fund Balance for pensions in year		
• Employers' contributions payable to scheme	<b>4,739</b>	4,342

### 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>2016/17 £000</b>	<b>2015/16 £000</b>
Present value of defined benefit obligation	<b>232,932</b>	203,646
Fair value of plan assets	<b>(169,662)</b>	(142,972)
<b>Net liability arising from defined benefit obligation</b>	<b>63,270</b>	60,674

Reconciliation of Movements in the Fair Value of Scheme Assets

	<b>2016/17 £000</b>	2015/16 £000
Opening fair value of scheme assets	<b>142,972</b>	143,852
Interest income	<b>4,989</b>	4,587
Re-measurement gain/loss:		
• Return on plan assets, excluding amount included in net interest expense	<b>22,353</b>	(4,458)
Contribution from employer	<b>4,703</b>	4,310
Contributions from employees into the scheme	<b>1,106</b>	1,093
Benefits paid	<b>(6,461)</b>	(6,412)
<b>Closing fair value of scheme assets</b>	<b>169,662</b>	142,972

Reconciliation of Present Value of Scheme Liabilities

	<b>2016/17 £000</b>	2015/16 £000
Opening balance at 1 <sup>st</sup> April	<b>203,646</b>	218,404
Current service cost	<b>4,970</b>	5,700
Interest cost	<b>7,121</b>	6,995
Contribution from scheme participants	<b>1,106</b>	1,093
Remeasurement gains/losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	<b>(2,580)</b>	-
• Actuarial gains/losses arising from changes in financial assumptions	<b>38,608</b>	(19,504)
• Other	<b>(13,767)</b>	(2,662)
Past service cost	<b>289</b>	32
Benefits paid	<b>(6,461)</b>	(6,412)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>232,932</b>	203,646

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2016/17				2015/16			
	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 and cash equivalents</b>	-	7,820	<b>7,820</b>	5%	-	5,862	5,862	4%
<b>Equity Securities</b>								
• Consumer	12,934	-	<b>12,934</b>	8%	11,756	-	11,756	8%
• Manufacturing	15,193	-	<b>15,193</b>	9%	13,336	-	13,336	9%
• Energy & utilities	10,245	-	<b>10,245</b>	6%	8,148	-	8,148	6%
• Financial institutions	12,158	-	<b>12,158</b>	7%	11,210	-	11,210	8%
• Health and care	6,749	-	<b>6,749</b>	4%	6,202	-	6,202	4%
• Information technology	4,315	-	<b>4,315</b>	2%	3,992	-	3,992	3%
• Other	18,669	-	<b>18,669</b>	11%	14,627	-	14,627	10%
Sub-total Equity	80,263	-	<b>80,263</b>	47%	69,271	-	69,271	48%
<b>Debt Securities</b>								
• Corporate	-	10,277	<b>10,277</b>	6%	-	7,915	7,915	6%
• UK Government	17,840	-	<b>17,840</b>	10%	16,016	-	16,016	11%
• Other	3,106	-	<b>3,106</b>	2%	2,854	-	2,854	2%
Sub-total Debt	20,946	10,277	<b>31,223</b>	18%	18,870	7,915	26,785	19%
<b>Property</b>								
• UK Property	-	10,858	<b>10,858</b>	6%	-	8,524	8,524	6%
<b>Private Equity</b>								
• All	2,334	563	<b>2,897</b>	2%	1,940	586	2,526	2%
<b>Investment Funds &amp; Unit Trusts</b>								
• Equities	33,617	-	<b>33,617</b>	20%	27,162	386	27,548	19%
• Bonds	-	-	-	-	-	-	-	-
• Infrastructure	1,945	1,039	<b>2,984</b>	2%	1,631	825	2,456	2%
Sub-total Investment Funds & Unit Trusts	35,562	1,039	<b>36,601</b>	22%	28,793	1,211	30,004	21%
<b>Total Assets</b>	<b>139,105</b>	<b>30,557</b>	<b>169,662</b>	100%	118,874	24,098	142,972	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31<sup>st</sup> March 2016.



The significant assumptions used by the actuary are:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	21.9	22.0
• Women	24.4	24.2
Longevity at 65 for future pensioners		
• Men	23.9	24.1
• Women	26.5	26.6
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	2.9%	3.2%
Rate of increase in pensions	2.9%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%
Take up of option to convert annual pension into retirement lump sum – pre April 2008 service	50%	50%
Take up of option to convert annual pension into retirement lump sum – post April 2008 service	75%	75%

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

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	21,997
0.5% increase in Salary Increase Rate	1%	3,288
0.5% increase in Pension Increase Rate	8%	18,397

#### 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 2019.

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 2017/18 is £4.385m.

The weighted average duration of the defined benefit obligation for scheme members is 23.1 years for active members, 22.3 years for deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 16/17 is 17.1 years.

With the exception of the tables detailing transactions in the Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement, the pension fund details in note 18 do not include Chesterfield Borough Council's share of the Crematorium pension fund which has its own separate fund.

## 19. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Special Responsibility & Other Allowances	<b>143</b>	130
Basic Responsibility Allowances	<b>285</b>	212
Members expenses	<b>4</b>	5
<b>TOTAL</b>	<b>432</b>	347

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))

## 20. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17.

	2016/17 £000	2015/16 £000
<b>Credited to Taxation &amp; Non Specific Grant Income</b>		
Revenue Support Grant	1,836	2,363
Council Tax Freeze Grant	-	48
New Homes Bonus Grant	909	616
Sport England	30	2,023
Homes & Communities Agency	-	15
Chesterfield College	-	2,500
Sheffield City Region	169	-
Dept Communities & Local Government: -		
• Small Business Rate Relief	721	951
• Other	-	161
Arts Council	-	25
Other	-	90
<b>TOTAL</b>	<b>3,665</b>	<b>8,792</b>

<b>Credited to Services:</b>		
<b>Capital</b>		
Dept Communities & Local Government - Housing	-	40
Sheffield City Region	2,879	-
Derbyshire Better Care Fund	952	557
Environment Agency	202	80
Other	4	14
<b>Revenue</b>		
Dept for Work & Pensions – Housing Benefits	36,087	37,807
Dept Communities & Local Government	232	353
Lottery Fund	3	21
Other Government Grants	24	39
Derbyshire County Council:		
- Supporting people	297	450
- Highways agency	130	205
- Other	18	87
Other Local Authorities	35	90
S106 Contributions	42	59
<b>TOTAL</b>	<b>40,905</b>	<b>39,802</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:

	2016/17 £000	2015/16 £000
<b>Capital Grants Receipts in Advance</b>		
Environment Agency	90	202
Derbyshire County Council	4	4
S106 Contributions	53	53
Other	11	-
<b>TOTAL</b>	<b>158</b>	<b>259</b>

## 21. EXTERNAL AUDIT COSTS

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

	2016/17 £'000	2015/16 £'000
Audit of Accounts	52	52
Certification of Grant Claims	6	6
Non-Audit Services	3	3
<b>Total</b>	<b>61</b>	<b>61</b>

## 22. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

<b>Move ments in 2016/17</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Com m unity Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construc tion</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Book Value</b>								
Broughtf orw ard 1 April	281,712	70,756	2,752	6,061	4,072	1,241	309	366,903
Additions	12,740	962	97			252	446	14,497
Revals - Reval'n Res	4,298	3,040				9		7,347
Revals - surplus/def icit on provision of services	51,264	(953)				(9)		50,302
Derecog'n - disposals	(4,319)							(4,319)
Derecog'n - other	(2,146)	(344)				(252)		(2,742)
Impairment losses rev in s/d on provision of servs								-
Other movements	(490)						483	(7)
<b>GBV at 31 March 17</b>	<b>343,059</b>	<b>73,461</b>	<b>2,849</b>	<b>6,061</b>	<b>4,072</b>	<b>1,241</b>	<b>1,238</b>	<b>431,981</b>
<b>Accum ulated Depreciation &amp; Im pairment</b>								
Broughtf orw ard 1 April	-	(3,266)	(2,205)	(2,906)	-	(8)	-	(8,385)
Additions - depreciation	(7,486)	(1,838)	(147)	(241)		(4)		(9,716)
Additions - impairment								-
Revals - Reval'n Res								-
Revals - surplus/def icit on provision of services	7,194	1,080				9		8,283
Derecog'n - disposals	128							128
Derecog'n - other	157							157
Impairment losses rev in s/d on provision of servs								-
Other movements	7							7
<b>Depreciation &amp; Impairment at 31 March 17</b>	<b>-</b>	<b>(4,024)</b>	<b>(2,352)</b>	<b>(3,147)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(9,526)</b>
<b>Net Book Value B/fw d</b>	<b>281,712</b>	<b>67,490</b>	<b>547</b>	<b>3,155</b>	<b>4,072</b>	<b>1,233</b>	<b>309</b>	<b>358,518</b>
<b>Net Book Value at 31 March 17</b>	<b>343,059</b>	<b>69,437</b>	<b>497</b>	<b>2,914</b>	<b>4,072</b>	<b>1,238</b>	<b>1,238</b>	<b>422,455</b>

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

### Depreciation

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

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

## **23. 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 (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 17 £000
Community Rooms	85	-	85
Former Sports Centre	-	45	45
Land	-	1,108	1,108
<b>Total 2016/17</b>	<b>85</b>	<b>1,153</b>	<b>1,238</b>

Fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 16 £000
Community Rooms	80	-	80
Former Sports Centre	-	45	45
Land	-	1,108	1,108
<b>Total 2015/16</b>	<b>80</b>	<b>1,153</b>	<b>1,233</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. The sports centre value is shown net of demolition costs. These assets will be revalued in 2017/18 to allow confirmation of their fair value hierarchy classifications.

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

Surplus Assets categorised as Level 3	31 <sup>st</sup> March 2017 £000	31 <sup>st</sup> March 2016 £000
Opening balance	1,153	1,108
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in Surplus/Deficit on Provision of Services resulting from changes in fair value	-	-
Additions	-	45
Revaluations	-	-
Disposals	-	-
Closing Balance	<b>1,153</b>	<b>1,153</b>

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

	31 <sup>st</sup> March 2017 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Former Sports Centre	45	Depreciated Replacement Cost	Future use	Planning restrictions Adjacent to Heritage Park
Land	1,108	Market value	Future use	Planning restrictions Site issues - redevelopment

## 24. HERITAGE ASSETS

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

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

Asset Class	Balance B/F at 01/04/16 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/03/17 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	318						318
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	245						245
Mayoral Regalia	439						439
<b>Assets Carried at Valuation</b>	<b>2,217</b>						<b>2,217</b>
Barrow Hill Railway HC	344						344
War Memorials etc.	38						38
Museum Collection	-						-
Percentage 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>						<b>2,902</b>

### Historic Sites & Buildings

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

### Rosewall Sculpture

The sculpture was acquired 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.



### Mayoral Regalia

This was valued in 2015. Due to the costs involved, further appraisals will be infrequent. No material additions or disposals have occurred since the valuation was prepared.

### Civic Plate, Paintings & Porcelain

The Civic Plate, Civic Paintings and Porcelain were valued in 2015. Due to the costs involved, further appraisals will be infrequent. No material additions or disposals have occurred since the valuation was prepared.

### Museum Collection

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

### Assets not included in the Balance Sheet

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

Percent for Art – The Council supports the promotion of public art as good planning practice which brings cultural, environmental and economic benefit to local communities. Current planning policy requires developers of schemes costing more than £1m to include a work of art to the value of 1% of the total project cost on their development. The Council keeps a register of sculptures owned and maintained by it in the Forward Planning Section. The Council manages a separate website [www.chesterfieldarttrail.co.uk](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. The Collections policy and the Rationalisation & Disposals policy are available from the Museums Collections officer and are reviewed every 5 years. The next review will take place in 2019.

### Assets included in the Balance Sheet

#### Historic Buildings

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

#### War Memorials/Monuments

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

#### Rosewall Sculpture

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

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

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

## Museum Collection

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

<b>Summary of Transactions</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Assets Carried at Valuation</b>		
Cost of acquisitions	-	-
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-
<b>Assets Carried at Cost</b>		
Cost of acquisitions	-	-
Fair value of donations	-	-
Disposals – carrying amount	-	-
Disposals – sale proceeds	-	-
Impairment losses	-	-

## 25. MOVEMENTS IN INTANGIBLE ASSETS

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

<b>Purchased Software Licences</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Net Carrying Amount:</b>		
Brought forward 1 April	619	356
Additions	-	283
Disposals	-	-
Amortisation for the period	(134)	(20)
<b>Carried forward 31 March</b>	<b>485</b>	<b>619</b>

For 2016/17, total amortisation charges of £134k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

<b>Analysis of Amortisation Charges</b>	<b>2016/17 £000</b>
Deputy Leader of the Council	20
Cabinet Member for Customers and Communities	12
Cabinet Member for Business Transformation	16
Other	86
<b>Total</b>	<b>134</b>

## 26. CAPITAL COMMITMENTS

The Council has approved a capital programme for the two year period to 2018/19 amounting to approximately £41m of which approximately £2.3m was contractually committed at 31<sup>st</sup> March 2017.

	Approved Expenditure £000	Committed £000
Council Housing	27,089	1,109
Economic Development	8,989	607
Renovation Grants	2,031	354
Leisure	356	97
Planning & Property	45	45
Other Schemes	2,928	44
	41,438	2,256

## 27. 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.

	2016/17 £000	2015/16 £000
<b>Opening Capital Financing Requirement (CFR) 1<sup>st</sup> April</b>	<b>150,854</b>	152,108
<u>Capital Investment</u>		
Property, Plant and Equipment	14,237	24,921
Investment Properties	660	11
Intangible Assets	-	283
Heritage Assets	-	-
Revenue Expenditure Funded from Capital under Statute	3,958	1,265
<u>Financed by</u>		
Capital Receipts	(3,384)	(3,336)
Capital Grants & Contributions	(4,055)	(5,651)
Revenue Balances & Direct Revenue Financing	(11,416)	(16,341)
Minimum / Voluntary Revenue Provision	(2,512)	(2,406)
Use of Capital Receipts to Repay Debt	-	-
<b>Closing Capital Financing Requirement 31<sup>st</sup> March</b>	<b>148,342</b>	150,854
<b>Increase/(Decrease) in CFR</b>	<b>(2,512)</b>	(1,254)
<u>Analysis of Increase/(Decrease) in CFR</u>		
Supported by Government Financial Assistance	-	-
Unsupported by Government Financial Assistance	(2,512)	(1,254)
<b>Increase/(Decrease) in CFR</b>	<b>(2,512)</b>	(1,254)

## 28. 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>2016/17 £000</b>	<b>2015/16 £000</b>
Rental income from investment property	<b>4,626</b>	4,439
Direct operating expenses arising from investment property	<b>1,387</b>	1,353
<b>Net gain/(loss)</b>	<b>3,239</b>	3,086

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>2016/17 £000</b>	<b>2015/16 £000</b>
Balance at start of year	<b>54,717</b>	59,536
Additions:		
Subsequent expenditure	<b>380</b>	11
Disposals	<b>(1,982)</b>	(296)
Net gains/losses from fair value adjustments	<b>(2,728)</b>	(4,684)
Other changes	-	150
<b>Balance at end of year</b>	<b>50,387</b>	54,717

#### 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) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 17 £000
Industrial units & Trading Estates	16,890	-	16,890
Retail & Office	20,702	-	20,702
Undeveloped Land	11,459	443	11,902
Miscellaneous	733	160	893
<b>Total 2016/17</b>	<b>49,784</b>	<b>603</b>	<b>50,387</b>

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 16 £000
Industrial units & Trading Estates	16,509	-	16,509
Retail & Office	18,906	-	18,906
Undeveloped Land	18,016	443	18,459
Miscellaneous	683	160	843
<b>Total 2015/16</b>	<b>54,114</b>	<b>603</b>	<b>54,717</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	31 <sup>st</sup> March 2017 £000	31 <sup>st</sup> March 2016 £000
Opening balance	603	818
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in Surplus/Deficit on Provision of Services resulting from changes in fair value	-	-
Additions	-	-
Revaluations	-	(215)
Disposals	-	-
Closing Balance	<b>603</b>	<b>603</b>

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

	31 <sup>st</sup> March 2017 £000	Valuation Technique	Unobservable Inputs	Sens itivity
Undeveloped Land	443	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	160	Assumed investment (fair value basis)	Rent details Rent comparables	Rent level being known/eligible successor/prospect of vacant possession

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

**29. FIXED ASSET VALUATION**

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

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

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

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

Except for those dwellings which the Authority leases out to other providers of social housing and a small number of impaired properties, the stock of council dwellings was re-valued as at 31<sup>st</sup> March 2017 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see note 4 on page 102).

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

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valued at historical cost		50	497		<b>547</b>
<u>Valued at current value</u>					
2016/17	330,633	39,109		46	<b>369,788</b>
2015/16	12,023	9,394		84	<b>21,501</b>
2014/15	328	4,358			<b>4,686</b>
2013/14		5,962		1,108	<b>7,070</b>
2012/13	75	10,564			<b>10,639</b>
<b>Total Net Book Value</b>	<b>343,059</b>	<b>69,437</b>	<b>497</b>	<b>1,238</b>	<b>414,231</b>

### 30. **DEPRECIATION**

The treatment of depreciation is described in Note 1.14 (page 36) of the Summary of Significant Accounting Policies.

### 31. **IMPAIRMENT LOSSES**

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2016/17.

### 32. **LONG TERM DEBTORS**

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

	<b>31<sup>st</sup> March</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Housing Associations	-	72
Chesterfield Football Club	-	828
Operating Lease Incentives	<b>79</b>	85
Other	<b>175</b>	204
<b>Total</b>	<b>254</b>	1,189



### 33. LEASES

#### Authority as Lessee

##### Finance Leases

The Authority has no finance leases.

##### Operating Leases

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

	31 <sup>st</sup> March	
	2017 £000	2016 £000
Not later than 1 year	275	275
Later than 1 year and not later than 5 years	376	407
Later than 5 years	23	30
<b>Total</b>	<b>674</b>	<b>712</b>

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31<sup>st</sup> March, 2017 was £0k (£0k at 31<sup>st</sup> March, 2016).

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

	Year Ended 31 <sup>st</sup> March	
	2017 £000	2016 £000
Minimum lease payments	590	625
Contingent rents	8	8
<b>Total</b>	<b>598</b>	<b>633</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:

	31 <sup>st</sup> March	
	2017 £000	2016 £000
Not later than 1 year	1,789	1,936
Later than 1 year and not later than 5 years	3,718	4,124
Later than 5 years	3,585	3,927
<b>Total</b>	<b>9,092</b>	<b>9,987</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 2016/17, £500,297 contingent rents were receivable by the Authority (2015/16 £340,000).

#### 34. INVENTORIES

	31 <sup>st</sup> March	
	2017 £000	2016 £000
Direct Services	162	153
Crematorium	1	1
Other	40	50
<b>Total</b>	<b>203</b>	<b>204</b>

#### 35. DEBTORS

	31 <sup>st</sup> March	
	2017 £000	2016 £000
Sundry Debtors - Revenue	3,738	2,847
Central Government Bodies	261	1,036
Other Local Authorities	948	961
Housing Revenue Account	1,147	1,498
Crematorium	146	105
Business Rate Payers	108	224
Council Tax Payers	202	202
<b>Total</b>	<b>6,550</b>	<b>6,873</b>

#### 36. CASH & CASH EQUIVALENTS

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

	31st March	
	2017 £000	2016 £000
Cash held	16	17
Bank current accounts	(522)	(501)
Short term deposits with banks	17,114	13,347
<b>Total</b>	<b>16,608</b>	<b>12,863</b>

### 37. ASSETS HELD FOR SALE

	Current		Non Current	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b><u>Investment Property Held for Sale</u></b>				
Balance brought forward at 1 April	158	375		
Revaluations	-	-		
Assets newly classified as held for sale	-	296		
Assets declassified as held for sale	-	(150)		
Assets sold	(115)	(363)		
<b>Balance carried forward at 31 March</b>	<b>43</b>	<b>158</b>	<b>-</b>	<b>-</b>
<b><u>Other Assets Held for Sale</u></b>				
Balance brought forward at 1 April	-	182		
Assets newly classified as held for sale	-	-		
Assets declassified as held for sale	-	-		
Assets sold	-	(182)		
<b>Balance carried forward at 31 March</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Net Sale Proceeds</u></b>				
Investment Property	1,773	572	-	-
Other Assets	159	254	-	-

### 38. CREDITORS

	31st March	
	2017 £000	2016 £000
Sundry creditors – Capital	2,388	1,574
Sundry creditors - Revenue	4,148	4,991
Central Government Bodies	2,729	1,482
Other Local Authorities	2,496	1,245
Housing Revenue Account	679	866
Crematorium	419	59
Advance Receipts: Business rates	337	182
Advance Receipts: Council tax	103	90
<b>Total</b>	<b>13,299</b>	<b>10,489</b>

### 39. PROVISIONS

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

	Balance b/fwd 01/04/16 £000	Movements in year		Balance c/fwd 31/03/17 £000
		Additions £000	Applied £000	
<b>Short Term Provisions</b>				
Non Domestic Rate Appeals	74	676	(3)	<b>747</b>
D.L.O. Provision	303	308	(296)	<b>315</b>
Redundancy Provision	76	108	(76)	<b>108</b>
<b>Total – Short Term Provisions</b>	<b>453</b>	<b>1,092</b>	<b>(375)</b>	<b>1,170</b>
<b>Long Term Provisions</b>				
Non Domestic Rate Appeals	1,783	-	(724)	<b>1,059</b>
Transport Employee Pensions	913	122	(44)	<b>991</b>
Insurance Provision	837	226	(396)	<b>667</b>
MMI Provision	88	-	(68)	<b>20</b>
Other	13	1	-	<b>14</b>
<b>Total – Long Term Provisions</b>	<b>3,634</b>	<b>349</b>	<b>(1,232)</b>	<b>2,751</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 2017 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 2016 which suggested that the fund balance was adequate. The next review will take place during 2019/20.

#### **MMI Provision**

The Council was insured by MM until 1993 when the Company went into administration. In March 2012 the Supreme Court found against MM in the Employers' Liability Policy Trigger case. The ruling means that MM 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 2017 the Council's claims paid and outstanding with MM totalled £1.4m. The Council has been advised that it will be liable to pay 25% of these claims and an appropriate provision has therefore been included in the accounts.

#### **Non Domestic Rate Appeals**

The introduction of the business rates retention scheme from 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. A detailed breakdown of the provision can be found on page 109.

#### **40. FINANCIAL INSTRUMENTS BALANCES**

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

	31 <sup>st</sup> March			
	Long term		Current	
	2017 £000	2016 £000	2017 £000	2016 £000
Loans & receivables	1,250	2,151	10,542	10,082
Available for sale	-	-	17,115	12,349
Financial assets at fair value through profit or loss	3,256	3,269	7,048	8
Financial assets carried at contract cost	-	24	5,583	5,061
<b>Financial Assets</b>	<b>4,506</b>	<b>5,444</b>	<b>40,288</b>	<b>27,500</b>
Financial liabilities at amortised cost	131,567	133,508	4,894	4,926
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities carried at contract cost	-	-	9,720	8,736
<b>Financial Liabilities</b>	<b>131,567</b>	<b>133,508</b>	<b>14,614</b>	<b>13,662</b>

#### Fair Value of Financial Assets

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/3/17 £000	Value as at 31/3/16 £000
Available for sale				
Money market funds	Level 1	Unadjusted quoted prices in active markets	17,115	12,349
Fair Value through Profit or Loss				
UK Gilt	Level 1	Unadjusted quoted prices in active markets	3,264	3,277
Corporate Bonds	Level 1	Unadjusted quoted prices in active markets	2,013	-
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets	5,027	-
<b>Total</b>			<b>27,419</b>	<b>15,626</b>

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

#### 41. 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:

2016/17	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost £000	Loans & receivables £000	Available-for-sale assets £000	Fair value through profit or loss £000	
Interest expense	5,303	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
<b>Total expense in Surplus/Deficit on Provision of Services</b>	<b>5,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,303</b>
Interest income	-	(141)	-	(99)	
Dividend income	-	-	(18)	-	
Increase in fair value	-	-	-	(12)	
Gains on derecognition	-	-	(84)	-	
<b>Total income in Surplus/Deficit on Provision of Services</b>	<b>-</b>	<b>(141)</b>	<b>(102)</b>	<b>(111)</b>	<b>(354)</b>
Gains on revaluation			-		
Losses on revaluation			-		
Amounts recycled to Surplus/Deficit on Provision of Services after impairment			-		
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income &amp; Expenditure</b>			-		
<b>Net (gain)/loss for year</b>	<b>5,303</b>	<b>(141)</b>	<b>(102)</b>	<b>(111)</b>	

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

#### 42. FAIR VALUE OF ASSETS & LIABILITIES CARRIED AT AMORTISED COST

Except for the financial assets carried at fair value (see note 40 for details), financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair values are calculated as follows:

	31 <sup>st</sup> March 2017		31 <sup>st</sup> March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial Liabilities	136,461	185,984	138,434	176,003

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

	31 <sup>st</sup> March 2017		31 <sup>st</sup> March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & Receivables	11,792	11,792	12,233	12,233

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

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

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

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 17 £000
<b>Financial Liabilities</b>			
PWLB loans	-	182,766	182,766
<b>Total</b>	-	182,766	182,766

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 <sup>st</sup> March 16 £000
<b>Financial Liabilities</b>			
PWLB loans	-	172,722	172,722
<b>Total</b>	-	172,722	172,722

For the remaining £3.2m 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.

**43. 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. Security of capital is considered to be of paramount importance and so, to minimise credit risk, lending is limited to counterparties on an approved list. This list is compiled using advice from our independent treasury advisers who have fully researched the background and credit worthiness of counterparties.

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

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

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

	Amount at 31 <sup>st</sup> March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 <sup>st</sup> March 2017	<b>Estimated maximum exposure to default &amp; uncollectabi lity £000</b>	Estimated maximum exposure at 31 <sup>st</sup> March 2016
	£000	%	%	£000	£000
Deposits with banks & financial institutions	5,027	-	-	-	-
Bonds	5,277	-	-	-	3,277
Customers	3,770	46.48	39.48	<b>1,488</b>	3,113
<b>Total</b>	<b>14,074</b>	<b>-</b>	<b>-</b>	<b>1,488</b>	<b>6,390</b>

The authority does not generally allow credit for customers, such that £2.399m (£2.469m in 2015/16) of the £3.770m (£3.113m in 2015/16) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31<sup>st</sup> March 2017 £000</b>	<b>31<sup>st</sup> March 2016 £000</b>
Less than three months	<b>586</b>	694
Three to six months	<b>107</b>	148
Six months to one year	<b>373</b>	323
More than one year	<b>1,333</b>	1,304
<b>Total</b>	<b>2,399</b>	2,469

## Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturing within	31 <sup>st</sup> March 2017 £000	31 <sup>st</sup> March 2016 £000
1 year	2,472	4,926
1 to 2 years	2,231	1,942
2 to 5 years	5,847	6,137
5 to 10 years	13,639	13,496
10 to 15 years	14,762	13,908
15 to 20 years	24,688	22,625
20 to 25 years	24,400	24,600
25 to 30 years	17,000	18,400
30 to 35 years	17,000	17,000
35 to 40 years	6,000	8,200
40 to 45 years	6,000	6,000
45 to 50 years	-	1,200
<b>Total</b>	<b>134,039</b>	<b>138,434</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 example, a rise in interest rates would have the following effects:

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

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

Movements in the fair value of fixed rate investments, other than those carried at amortised cost, will be reflected in the Comprehensive Income & Expenditure Statement.

The authority has a number of strategies for managing interest rate risk. For 2016/17, the upper limit for exposure to variable rate debt was £68.8m (£70.0m in 2015/16).

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

#### Price Risk

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

#### Foreign Exchange Risk

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

#### 44. USABLE RESERVES

	31st March	
	2017 £000	2016 £000
Earmarked Reserves - Capital	1,730	1,630
Earmarked Reserves - Revenue	6,784	8,794
Total Earmarked Reserves (GF)	8,514	10,424
General Fund(GF) Working Balance	1,500	1,500
HRA Working Balance	24,977	20,471
Earmarked Reserves - HRA	342	352
Useable Capital Receipts Reserve	3,475	661
Capital Grants Unapplied	1,124	444
<b>Total Usable Reserves</b>	<b>39,932</b>	<b>33,852</b>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 24. 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:

<b><u>Usable Capital Receipts Reserve</u></b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Brought forward 1 April</b>	<b>661</b>	700
Additions	7,131	4,238
Pooling liability	(933)	(941)
Financing of capital expenditure	(3,384)	(3,336)
Voluntary repayment of debt	-	-
<b>Carried forward 31 March</b>	<b>3,475</b>	661

<b><u>Capital Grants Unapplied</u></b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Brought forward 1 April</b>	<b>444</b>	750
Additions	685	233
Transfers (to)/from revenue	(1)	-
Financing of capital expenditure	(4)	(539)
<b>Carried forward 31 March</b>	<b>1,124</b>	444

#### 45. UNUSABLE RESERVES

	<b>31st March</b>	
	<b>2017 £000</b>	<b>2016 £000</b>
Revaluation Reserve	<b>26,063</b>	19,179
Capital Adjustment Account	<b>303,005</b>	247,812
Financial Instruments Adjustment Account	<b>(38)</b>	(46)
Pensions Reserve	<b>(63,741)</b>	(60,998)
Deferred Capital Receipts Reserve	<b>176</b>	180
Collection Fund Adjustment Account	<b>(344)</b>	(1,993)
Accumulated Absences Account	<b>(292)</b>	(293)
<b>Total Unusable Reserves</b>	<b>264,829</b>	203,841

#### 46. 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.

	2016/17 £000	2015/16 £000
Balance brought forward 1 <sup>st</sup> April	19,179	15,419
Revaluation gains	7,927	5,284
Revaluation and impairment losses	(580)	(824)
Amounts t/f to Cap Adj Account (Depreciation)	(387)	(657)
Amounts t/f to Cap Adj Account (Disposals)	(76)	(43)
<b>Balance carried forward 31<sup>st</sup> March</b>	<b>26,063</b>	19,179

#### 47. 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.

	2016/17 £000	2015/16 £000
<b>Balance brought forward 1<sup>st</sup> April</b>	<b>247,812</b>	239,734
<b><u>Reversal of items recognised in the Comprehensive Income &amp; Expenditure Statement</u></b>		
Property, Plant & Equipment: depreciation charges	<b>(9,716)</b>	(10,410)
Property, Plant & Equipment: net revaluation gains/(losses)	<b>58,786</b>	1,305
Intangible Assets: amortisation charges	<b>(134)</b>	(20)
Revenue expenditure funded from capital under statute	<b>(3,958)</b>	(1,265)
Disposal/derecognition of non-current assets	<b>(8,874)</b>	(5,251)
Gain/(loss) in fair value of investment properties	<b>(2,929)</b>	(4,684)
<b><u>Amounts transferred from the Revaluation Reserve</u></b>		
Depreciation adjustment	<b>388</b>	657
Disposal/derecognition adjustment	<b>77</b>	43
<b><u>Capital financing provisions</u></b>		
Application of usable capital receipts	<b>3,384</b>	3,336
Application of Major Repairs Reserve	<b>10,049</b>	12,019
Application of revenue balances and direct revenue financing	<b>1,367</b>	4,322
Capital grants/contributions recognised in revenue during the period	<b>4,236</b>	5,111
Application of capital grants unapplied	<b>4</b>	539
Minimum revenue provision	<b>2,513</b>	2,406
<b>Principal repayments - deferred debtors</b>	<b>-</b>	(30)
<b>Balance carried forward 31<sup>st</sup> March</b>	<b>303,005</b>	247,812

#### 48. **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

	2017 £000	2016 £000
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	<b>(8)</b>	(4)
Net (premium)/discount incurred in the year and recognised in the Comprehensive Income & Expenditure Statement	-	-
<b>Net (premium)/discount to be taken to the GF Balance</b>	<b>(8)</b>	(4)
Balance of net (premium)/discount at 1 April	<b>(46)</b>	(50)
Amortised in year	<b>8</b>	4
<b>Balance of net (premium)/discount at 31 March</b>	<b>(38)</b>	(46)

#### 49. **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.

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>(60,998)</b>	(74,921)
Actual gains or losses on pension assets and liabilities	<b>(48)</b>	17,764
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	<b>(7,434)</b>	(8,183)
Employers pension contributions	<b>4,739</b>	4,342
<b>Balance at 31<sup>st</sup> March</b>	<b>(63,741)</b>	(60,998)

#### **50. 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.

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>180</b>	183
Transfer to Capital Receipts Reserve on receipt of cash	<b>(4)</b>	(3)
<b>Balance at 31<sup>st</sup> March</b>	<b>176</b>	180

#### **51. 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.

	2017 £000	2016 £000
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>(1,993)</b>	(1,840)
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>1,649</b>	(153)
<b>Balance at 31<sup>st</sup> March</b>	<b>(344)</b>	(1,993)

## 52. 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.

	2017 £000	2016 £000
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>293</b>	193
Settlement or cancellation of accrual made at end of preceding year	<b>(293)</b>	(193)
Amounts accrued at end of current year	<b>292</b>	293
<b>Balance at 31<sup>st</sup> March</b>	<b>292</b>	293

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

	2016/17 £000	2015/16 £000
Depreciation	<b>48,735</b>	(9,125)
Movement in Fair Value of Investments	<b>25</b>	(14)
(Increase)/decrease in Creditors	<b>392</b>	(667)
Increase/(decrease) in Debtors	<b>(25)</b>	(1,576)
Increase/(decrease) in Stock	<b>(1)</b>	(112)
Movement in Pension Liability	<b>(2,695)</b>	(3,840)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	<b>(8,410)</b>	(5,216)
Movement in Investment Property Value	<b>(2,728)</b>	(4,683)
Other non-cash items charged to net surplus/deficit on provision of services	<b>149</b>	(334)
<b>Total</b>	<b>35,442</b>	(25,567)



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

	2016/17 £000	2015/16 £000
Proceeds from sale of PPE, investment properties & intangible assets	7,127	4,234
Capital grants	4,737	5,345
<b>Total</b>	<b>11,864</b>	<b>9,579</b>

55. **CASH FLOW STATEMENT ENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2016/17 £000	2015/16 £000
Interest received	(386)	(310)
Interest paid	5,283	5,460

56. **CASH FLOW STATEMENT ENT – INVESTING ACTIVITIES**

	2016/17 £000	2015/16 £000
Purchase of non-current assets	14,103	24,977
Purchase of short term and long term investments	15,512	8,000
Proceeds from sale of non-current assets	(7,131)	(4,237)
Proceeds from short term and long term investments	(7,000)	(21,608)
Other receipts from investing activities	(5,592)	(5,331)
<b>Net cash flows from investing activities</b>	<b>9,892</b>	<b>1,801</b>

57. **CASH FLOW STATEMENT ENT – FINANCING ACTIVITIES**

	2016/17 £000	2015/16 £000
Cash receipts of short and long term borrowing	(2,400)	(2,500)
Repayments of short and long term borrowing	4,415	4,887
Other payments for financing activities	(2,730)	(336)
<b>Net cash flows from financing activities</b>	<b>(715)</b>	<b>2,051</b>

## 58. 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 20 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 2016/17 is shown in Note 19. In addition, the Council paid grants totalling £248,079 to voluntary organisations in which 10 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

### Subsidiary and Associate d 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 Sheffield City Region Local Enterprise Partnership which has similar objectives.

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

Chesterfield Borough Council is a partner in Chesterfield Waterside Ltd, a public/private partnership created to secure the regeneration of a strategic area within

the borough. It has three Board members and the Leader of the Council is our representative.

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

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

During the year, the consortium retained a surplus of £20,000.00 (£20,000 in 2015/16).

The Council's proportion of the consortium's net surplus at the 31<sup>st</sup> March 2017 is £7,320 (£7,320 at 31<sup>st</sup> March 2016).

**60. 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	<b>Chesterfield Borough Council</b>	North East Derbyshire District Council	Bolsover District Council
2016/17	<b>55%</b>	31%	14%
2015/16	<b>55%</b>	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**

<b>2015/16 Net Expenditure £000</b>		<b>2016/17</b>		
		<b>Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>
(287)	Health & Wellbeing	1,094	(909)	<b>185</b>
(287)	<b>Net Cost of Service</b>	<b>1,094</b>	<b>(909)</b>	<b>185</b>

## Balance Sheet

2015/16 £000		2016/17 £000
	<u>Long Term Assets</u>	
1,278	Other Land & Buildings	1,264
9	Vehicles, Plant, Furniture & Equipment	22
-	Assets under Construction	-
138	Investment Properties	138
	<u>Current Assets</u>	
1	Stock	1
105	Debtors	146
1,065	Cash	930
	<u>Current Liabilities</u>	
(59)	Creditors	(419)
	<u>Long Term Liabilities</u>	
749	Pension Scheme Assets	883
(1,073)	Pension Scheme Liabilities	(1,354)
<b>2,213</b>	<b>Net Assets</b>	<b>1,611</b>
180	Revaluation Reserve	180
1,230	Capital Adjustment Account	1,230
(324)	Pensions Reserve	(471)
715	Earmarked Reserves	510
412	Balances – Revenue Surplus	162
<b>2,213</b>	<b>Total Reserves</b>	<b>1,611</b>

### 61. TRUST FUNDS

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

Uncle Billy's Trust Fund	Income £000	Expenditure £000	Capital Value of Fund £000
2016/17	(3)	5	63
2015/16	(3)	4	62

### 62. THE ARVAT O PARTNERSHIP

2016/17 is the seventh year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, human resources and payroll, IT, Facilities Maintenance, Asset Management and Invoice Processing together with call centre and reception services.

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

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

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31<sup>st</sup> March 2017 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2017/18	4,926
Payable within two to five years	12,786
<b>Total</b>	<b>17,712</b>

## 63. **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 2017. 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.

### British Gas

The Authority is a defendant in proceedings brought by British Gas regarding unpaid invoices. In the current litigation the Council faces a claim of £50,000 for outstanding invoices plus costs of up to £65,000.

## **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	2016/17 £000	2015/16 £000
<b><u>Income:</u></b>			
Dwellings Rents	1	36,988	38,226
Charges for Services and Facilities		458	580
Non-Dwelling Rents		664	665
Contribution towards Expenditure		500	523
<b>Total Income</b>		<b>38,610</b>	<b>39,994</b>
<b><u>Expenditure:</u></b>			
Supervision & Management : General		5,798	5,737
Special		2,105	2,436
Rents, Rates, Taxes & Other Charges		486	486
Repairs and Maintenance		8,813	8,941
Depreciation & Impairment of non-current assets	4	(50,878)	4,837
Debt Management Costs		49	57
Movement in the allowance for bad debts		300	295
<b>Total Expenditure</b>		<b>(33,327)</b>	<b>22,789</b>
<b>Net Expenditure/(Income) of Services as included in the Comprehensive Income &amp; Expenditure Statement</b>			
HRA share of Corporate & Democratic Core		29	24
<b>Net Expenditure/(Income) for HRA Services HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>			
(Gain)/Loss on Disposal of HRA non-current assets		1,118	1,121
HRA share of interest payable & similar charges		5,067	5,223
Interest & Investment Income		(223)	(173)
Share of D.L.O./D.S.O. Surplus		(169)	-
Change in Market Value of Investment Properties		(201)	-
Income & Expenditure re Investment Properties		(75)	(104)
<b>(Surplus)/Deficit on HRA Services</b>		<b>(66,391)</b>	<b>(11,114)</b>

<b>Movement on the HRA Statement</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Balance on HRA at end of previous year	<b>(20,471)</b>	(18,026)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	<b>(66,391)</b>	(11,114)
Adjustments between accounting basis and funding basis under statute (note 9)	<b>61,930</b>	8,673
<b>Net (Increase)/Decrease before transfers to or from reserves</b>	<b>(4,461)</b>	(2,441)
Transfers to/(from) reserves	<b>(45)</b>	(4)
<b>(Increase)/decrease in year on HRA</b>	<b>(4,506)</b>	(2,445)
<b>Balance on HRA at end of current year</b>	<b>(24,977)</b>	(20,471)



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

The Council had 9,345 dwellings available for rent during 2016/17. 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, £906,730 (2.45%) of rental income was lost due to vacant properties, in 2015/16 the figure was £809,745 (2.12%). The average weekly rent in 2016/17 was £83.74 (48 week year), a decrease of £0.84 (1.0%) on the previous year.

### **2. HOUSING STOCK**

The Council's housing stock at 31st March, 2017 was as follows:

	<b>31 Mar 17</b>	31 Mar 16
Houses	<b>4,716</b>	4,808
Flats & maisonettes	<b>3,208</b>	3,257
Bungalows	<b>1,395</b>	1,395
Others	<b>26</b>	27
<b>Total</b>	<b>9,345</b>	9,487

The number of properties sold under the 'Right to Buy' legislation in 2016/17 was 103 (68 in 2015/16).

### **3. RENT ARREARS**

Rent arrears at the year-end totalled £2,310,765. This compares with £2,557,300 at 31st March, 2016. A provision of £1,258,823 (£1,196,959 in 2015/16) 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 2017 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 2016 excludes depreciation and disposals over the period.

<b>Balance Sheet Valuations of HRA Assets</b>		
	<b>As at 31<sup>st</sup> March 2017 £000</b>	<b>As at 31<sup>st</sup> March 2016 £000</b>
Council Dwellings	<b>343,059</b>	281,712
Other Land & Buildings	<b>4,054</b>	2,594
Vehicles, Plant, Furniture & Equipment	<b>10</b>	30
Assets Under Construction	<b>824</b>	201
Surplus Assets Not Held for Sale	<b>1,108</b>	1,108
Investment Property	<b>4,525</b>	4,390
Investment Property Held for Sale	<b>43</b>	158
<b>Total</b>	<b>353,623</b>	290,193

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

The vacant possession value of the dwellings as at 1<sup>st</sup> April, 2016 was £816m (£793m 1<sup>st</sup> April 2015). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the OMV of the stock to EUV-SH for inclusion in the balance sheet was increased from 34% to 42% with effect from 1<sup>st</sup> April, 2016.

## **5. HRA CAPITAL EXPENDITURE & FINANCING**

<b>Capital Expenditure</b>		<b>Capital Financing</b>	
	<b>£000</b>		<b>£000</b>
Council Dwellings	12,740	Borrowing	-
Assets Under Construction	141	Capital Receipts Reserve	2,832
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	10,049
REFCUS	-	Grants & Contributions	-
		Revenue Balances & Direct Revenue Financing	-
<b>Total</b>	<b>12,881</b>		<b>12,881</b>

## **6. HRA CAPITAL RECEIPTS**

<b>HRA Capital Receipts</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Council Dwellings	<b>4,735</b>	3,268
Other Land & Property	<b>509</b>	567
<b>Total</b>	<b>5,244</b>	3,835

## 7. DEPRECIATION

<b>HRA De preciation</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Council Dwellings	<b>7,486</b>	7,171
Other Land and Buildings	<b>84</b>	87
Surplus Assets Not Held for Sale	-	-
Vehicles, Plant, Furniture and Equipment	<b>3</b>	10
<b>Total</b>	<b>7,573</b>	7,268

## 8. REFCUS, REVALUATION AND IM PAIRMENT 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.

<b>REFCUS, Revaluation and Impairment Losses</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Council Dwellings	<b>(58,457)</b>	(2,431)
Other Land and Buildings	<b>(1,038)</b>	-
Surplus Assets Not Held for Sale	-	-
<b>Revaluation and Impairment Losses</b>	<b>(59,495)</b>	(2,431)
Movements in the fair value of investment property	<b>(201)</b>	-
<b>Total</b>	<b>(59,696)</b>	(2,431)

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

	<b>2016/17 £000</b>	2015/16 £000
Net gain/(loss) on sale of HRA non-current assets	<b>(1,118)</b>	(1,121)
HRA share of contributions to or from the Pensions Reserve	<b>(126)</b>	(263)
Capital expenditure funded by the HRA	-	3,097
Transfer to/(from) Major Repairs Reserve	<b>2,470</b>	2,473
Movement in Market Value of Investment Properties (note 8)	<b>201</b>	-
Transfer to/(from) Capital Adjustment Account (note 8)	<b>58,457</b>	2,431
Voluntary Repayment of Debt	<b>2,046</b>	2,077
Short Term Accumulated Absences	-	(21)
<b>Total Adjustments</b>	<b>61,930</b>	8,673

## 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.

2015/16		2016/17		
Total £000		Business Rate s £000	Council Tax £000	Total £000
	<b>Income</b>			
(43,192)	Council Tax (Note 1)	-	(45,161)	(45,161)
(36,877)	Business Rates (Note 2)	(37,222)	-	(37,222)
(80,069)		(37,222)	(45,161)	(82,383)
	<b>Expenditure</b>			
	<b>Apportionment of Previous Year Surplus/(Deficit)</b>			
(936)	Central Government	(2,314)	-	(2,314)
(679)	Chesterfield Borough Council	(1,852)	68	(1,784)
321	Derbyshire County Council	(417)	485	68
11	Derbyshire Fire Authority	(46)	30	(16)
76	Derbyshire Police & Crime Commissioner	-	75	75
(1,207)		(4,629)	658	(3,971)
	<b>Precepts, Demands &amp; Shares</b>			
18,316	Central Government	18,521	-	18,521
19,035	Chesterfield Borough Council	14,855	4,642	19,497
34,425	Derbyshire County Council	3,334	32,941	36,275
2,305	Derbyshire Fire Authority	370	2,013	2,383
4,823	Derbyshire Police & Crime Commissioner	-	5,006	5,006
78,904		37,080	44,602	81,682
	<b>Charges to Collection Fund</b>			
1,072	Write offs of uncollectable amount	-	-	-
512	Transitional Protection Payments	34	-	34
849	Increase/(Decrease) in bad debt provision (Note 5)	514	155	669
125	Increase/(Decrease) in provision for appeals (Note 6)	(130)	-	(130)
165	Cost of Collection Allowance	164	-	164
<b>351</b>	<b>(Surplus)/Deficit arising during year</b>	<b>(4,189)</b>	<b>254</b>	<b>(3,935)</b>
<b>4,068</b>	<b>(Surplus)/Deficit Brought Forward</b>	<b>5,181</b>	<b>(762)</b>	<b>4,419</b>
<b>4,419</b>	<b>(Surplus)/Deficit as at 31<sup>st</sup> March (Notes 3 &amp; 4)</b>	<b>992</b>	<b>(508)</b>	<b>484</b>

## 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	31	5/9	17
A	16,625	6/9	11,083
B	8,256	7/9	6,422
C	5,326	8/9	4,734
D	3,360	9/9	3,360
E	1,656	11/9	2,024
F	496	13/9	717
G	193	15/9	322
H	12	18/9	23
Totals	35,955		28,702
Less adjustment for collection rate			(430)
<b>Council Tax Base</b>			<b>28,272</b>

The basic amount of Council Tax for a Band D property was £1,563.31 (£1,508.76 2015/16).

#### 2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (49.7p in 2016/17 and 49.3p in 2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

A small business rate relief scheme was introduced by central government in 2005/06 and for those businesses eligible for this relief the multiplier is reduced to 48.4p for 2016/17 (48.0p in 2015/16).

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 2017 was £96,547,611 (£90,095,630 as 31<sup>st</sup> March 2016).

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. The levy paid in 2016/17 was £530,486 and the redistributed growth received was £371,915.

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

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated surplus of £367,981 was assumed when setting the Council Tax for 2017/18. The additional surplus of £140,084 will be recovered in the tax calculation for 2018/19.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31<sup>ST</sup> MARCH</b>		
	2017	2016
	£000	£000
Derbyshire County Council	375	561
Derbyshire Police & Crime Commissioner	57	87
Derbyshire Fire Authority	23	35
<b>Chesterfield Borough Council</b>	53	79
Council Tax (Deficit)/Surplus	508	762

The surplus attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed in the tax calculation in 2018/19 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 £266,065 was assumed in the calculation of business rate income in 2017/18. The additional deficit of £725,969 will be recovered in the income calculation for 2018/19.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31<sup>ST</sup> MARCH</b>		
	Proportionate Share	2017 £000
Derbyshire County Council	9%	(89)
Derbyshire Fire Authority	1%	(10)
Central Government	50%	(496)
<b>Chesterfield Borough Council</b>	<b>40%</b>	<b>(397)</b>
Council Tax (Deficit)/Surplus	100%	(992)

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	Write-offs in the year	Increase / (Decrease) in allowance	Carried Forward
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Business Rates	635	(453)	514	696
Council Tax	2,262	(274)	154	2,142
<b>Total</b>	<b>2,897</b>	<b>(727)</b>	<b>668</b>	<b>2,838</b>

#### 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	Applied in year	Contribution to provision in year	Carried Forward



£000	£000	£000	£000
4,644	(1,118)	989	4,515

**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 £403,965 parish precepts (Staveley £356,293 and Brimington £47,672).



## **Independent auditor's report to the members of Chesterfield Borough Council**

We have audited the financial statements of Chesterfield Borough Council for the year ended 31 March 2017 on pages 22 to 110. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance & Resources and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Finance & Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance & Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 16 to 21 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

## **Conclusion on Chesterfield Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Chesterfield Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chesterfield Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Chesterfield Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Chesterfield Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## Certificate

We certify that we have completed the audit of the financial statements of Chesterfield Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Tony Crawley

**For and on behalf of KPMG LLP, Statutory Auditor**  
***Chartered Accountants***

St Nicholas House  
31 Park Row  
Nottingham  
NG1 6FQ  
26 September 2017