



**CHESTERFIELD**  
BOROUGH COUNCIL

**Statement of Accounts  
2014/15**

# CONTENTS

	<u>Pages</u>
Explanatory Foreword	3 - 4
Summary of the Financial Year	4 - 9
Statement of Responsibilities	10
Annual Governance Statement	11 - 16
<u>Core Financial Statements:</u>	
Movement in Reserves Statement	17 - 18
Comprehensive Income & Expenditure Statement	19 - 20
Balance Sheet	21 - 22
Cash Flow Statement	23
Notes to the Core Financial Statements	24 - 89
Housing Revenue Account	90 - 96
The Collection Fund	97 - 100
Auditor's Report	101 - 103

## **EXPLANATORY FOREWORD**

The purpose of this foreword is to provide a guide to the most significant matters that are reported in the accounts. The pages that follow are the Council's final accounts for 2014/15 and comprise:

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

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

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

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

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

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

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

**Capital expenditure** - has to have a life beyond one year and is financed by loans, capital receipts, capital grants and reserves. The financing of capital expenditure from loans is charged to revenue over a period set in accordance with statutory guidance.

**Revenue spending** - is generally on items that are consumed within the year and is financed from the Council Tax, government grants and other income.

## **CHANGES TO THE STATEMENT OF ACCOUNTS**

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 Code for 2014/15 has introduced very few new requirements from last year. The content and format of the Statement of Accounts therefore remain largely unchanged.

## **SUMMARY OF THE FINANCIAL YEAR**

### **2014/15 Budget Process**

Before the start of the 2014/15 financial year the Council produced a five-year budget forecast as part of the budget and council tax setting process. The major funding sources to pay for the General Fund Services (i.e. excluding Council Housing) are Government grant, the retained share of Business Rates income, Council Tax, fees, charges and rent income. The grant income from the Government and the retained business rates income provide around two thirds of the General Fund Budget requirement with the remaining third coming from the Council Tax. The rent income comes from the Council's extensive industrial & commercial property portfolio. All of the income sources were under severe pressure:

- Government grant – a cut of £1.1million in the Revenue Support Grant.
- Retained Business Rates – introduced in 2013/14, the scheme allows the Council to share in the growth of this income from within its area. The estimated cost of backdated valuation appeals, however, has suppressed the potential income growth in the early years of the scheme.
- Fees, charges and rental income were impacted by the recent economic conditions.
- Council Tax – once again the Government exercised control over any increase, firstly by requiring a referendum to be held for an increase of 2% or more, and secondly by offering a grant equivalent to a 1% council tax increase if the tax was frozen.

The Council froze its Council Tax for 2014/15 at £144.89 per annum for a Band 'D' property. The Budget was set at £11.6 million and financed as follows:

	<b>Amount £'000</b>	<b>Proportion of total</b>
Government Funding (Revenue Support Grant, retained business rates and other grants)	7,545	65%
Collection Fund Surpluses	64	1%
Council Tax	3,979	34%
<b>Total Budget (after savings target)</b>	<b>11,588</b>	<b>100%</b>

The budget for 2014/15 which was set in February 2014 showed a deficit of £348k before allowing for the planned savings target. A savings target of £591k was set giving an estimated surplus of £244k if all the savings were delivered. The savings were to be delivered through a business transformation programme titled "Great Place:Great Service". The programme aims to deliver savings from a wide range of initiatives including reviews of the workforce, assets, customer service channels and the application of information technology.

## **Budget Issues Arising During 2014/15**

The forecast surplus reduced from £244k at the start of 2014/15 to £40k when revised budgets were approved in February 2015. The most significant budget variances, both increases and decreases, reported at the revised budget stage included:

### Budget Savings - reduced expenditure/increased income:

Staffing savings £108k

Business rate refunds £150k

Income from planning fees £78k

### Budget Increases - increased expenditure/reduced income:

Reprofile of budget savings £391k

Income from commercial/industrial rents £133k

## **Revenue Budget Outturn**

The position at the end of the year was a surplus of £312k which was transferred to reserves (see the table below). The main reasons for the increased surplus compared to the revised forecast surplus of £40k included:

- Increased income from car parking (+£74k);
- Increased income from planning fees (+£52k);
- Reduced costs in Parks/Cemeteries (+£178k);
- Reduced costs in Leisure facilities e.g. Sports Centres & Winding Wheel (+£227k);
- Less:
- Town Centre grants reduced (-£91k);
- ICT upgrades (-£111k);
- Reduced rental income from town centre properties (-£41k);
- Net of all other variances (-£16k).

Set out below is a summary of the outturn for 2014/15 based on the 'Portfolio' structure which is used for internal management and reporting purposes.

**Table: 2014/15 General Fund - Comparison of outturn with the original budget**

	<b>Original Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b><u>Portfolios:</u></b>			
Leader & Regeneration	484	<b>418</b>	(66)
Deputy Leader & Planning	(1,280)	<b>(178)</b>	1,102
Environment	5,268	<b>4,953</b>	(315)
Housing	1,194	<b>1,532</b>	338
Leisure, Culture & Tourism	3,134	<b>4,365</b>	1,231
Governance & Organisational Development	3,472	<b>2,705</b>	(767)
Customers & Communities	1,617	<b>1,652</b>	35
Portfolio Net Expenditure	13,889	<b>15,447</b>	1,558
Transformation Savings*	(612)	-	612
Direct Service Organisations (surplus)/deficit	(117)	<b>(114)</b>	3
Other - Non-Portfolio Expenditure/(Income)	(122)	<b>(271)</b>	(149)
<b>Service Expenditure</b>	13,038	<b>15,062</b>	<b>2,024</b>
Interest & Capital Charges	(1,846)	<b>(3,637)</b>	(1,791)
Transfer to/(from) Reserves	152	<b>(137)</b>	(289)
Surplus/(Deficit) to/(from) Business Rate Reserve	244	<b>312</b>	68
<b>Total Expenditure</b>	11,588	<b>11,600</b>	<b>12</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 £1.75m during 2014/15.

The Movement in Reserves Statement and Comprehensive Income & Expenditure Statement on page 18 and 20 presents this same information but in the format specified by the Code for external reporting purposes. A subjective analysis of this statement forms part of note 54 on page 82.

### **Housing Revenue Account**

The Council continues to be the major provider of rental accommodation in the Borough, with 9,529 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 2014/15 is set out on pages 90 to 96 and shows an increase to the HRA balance of £5,531,573 due mainly to slippage in the capital programme financed from revenue.

## **Direct Service Organisations**

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSO's) during 2014/15.

Full reports on individual D.S.O.s are separately produced and may be obtained from the Chief Finance Officer.

## **Capital Spending in 2014/15**

A summary of the capital expenditure and financing is shown in Note 23 to the core financial statements (page 62).

Capital expenditure on General Fund services totalled £8.2m. The main projects included:

- ◆ Queens Park Sports Centre - £4.4m
- ◆ Eastwood Park restoration - £0.3m
- ◆ Winding Wheel/Theatre improvements - £0.6m
- ◆ Chesterfield Gateway Enhancements - £0.5m
- ◆ House Renovation, Disabled Facilities and Decent Homes Grants - £1.3m
- ◆ Vehicles, Machinery & Information Technology - £0.4m
- ◆ Depot refurbishment - £0.4m
- ◆ Other - £0.3m

A large proportion of the General Fund Capital Programme was funded from grants and contributions, £2.6m in 2014/15. The remainder was financed from capital receipts (£0.4m), reserves (£0.8m) and unsupported borrowing (£4.4m).

Capital expenditure on Council Housing, aimed particularly at bringing dwellings up to the decent homes standard, was £15.4m of which £7.2m was financed from the Major Repairs Reserve, £2.2m from capital receipts and £6.0m from grants and contributions.

Total long-term debt outstanding at the end of the year amounted to £135.4m. This should be viewed in relation to the Council's assets which have a net book value of £412m.

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

## **Pension Costs**

The Balance Sheet shows the Pension Fund deficit as a Pension Reserve (£74.9m) which is matched by an equal and opposite entry on the other side of the balance sheet described as the Pension Scheme Assets/Liabilities.

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

## **Reserves & Balances**

The Council has maintained its revenue working balances at £1.75m for the General Fund to recognise the increased risks it faces due to the major changes to the system of Local Government finance in April 2013 including Business Rate retention and Localisation of Council Tax support. There is a balance of £18m on the Housing Revenue Account at the year-end.

In addition, the Council has set money aside in a number of earmarked reserves to meet planned future commitments. The earmarked reserves include £0.8m as a provision for significant revenue budget risks, £0.3m in an Invest to Save fund and £1.1m in a Service Improvement Reserve. (page 44).

A reserve has been created to meet the Council's share of the Collection Fund deficit on business rates which will be utilised in 2015/16 and 2016/17. The 2014/15 General Fund surplus was transferred to this reserve at the end of the year. The balance on this reserve is £1.1m.

## **Medium Term Outlook**

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

The last published Local Government Grant Settlement covered 2015/16 only. The cut in the Council's Settlement Funding Assessment for 2015/16 was £1.0m or 16%. It is hoped that the Spending Review in the autumn of 2015 and the subsequent Local Government Finance Settlement in December 2015 will give some clarity to the medium term funding outlook for local government.

Towards the end of 2014/15 evidence of growth in income from some of the services the Council provides began to emerge e.g. Planning fees, leisure and culture facilities charges, etc. Income from fees, charges and rents will continue to be actively monitored throughout 2015/16 in order to identify any budget variances at an early stage.

The medium term budget forecast produced in February 2015 showed a savings target of £0.7m in 2015/16 which increases to £2.5m by 2019/20. In order to deliver the required savings, the Council is implementing a transformation programme, under the banner "Great Place:Great Service" (as described above). The GP:GS programme aims to modernise and improve the efficiency of the services that the Council provides. Continuing to delivering significant savings in order to balance the budget continues to be a major challenge and priority for the Council.

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

- a) The outcome of the Contingent Liability issues as described in Note 60 (page 89);
- b) The impact of successful back-dated valuation appeals on the Retained Business Rates income in future years;
- c) Changes to the key Central Government funding sources such as the New Home Bonus, Local Council Tax Support and Business Rates Retention schemes.



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

### **Further Information**

This Statement of Accounts provides the financial information for the year. A Corporate Plan has also been developed setting out the Councils' priorities for the next four years. Copies of this document are available from council buildings and on our website.

Further information about the accounts is available from the Chief Finance Officer and 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 in the local press and on the Council's website.

**B. DAWSON CPFA  
CHIEF FINANCE OFFICER**

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

## RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required

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

### The Chief Finance Officer's Responsibilities

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

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

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

### **CHIEF FINANCE OFFICER'S CERTIFICATE**

I certify that the accounts set out on pages 17 - 100 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 2015.

**B.DAWSON CPFA  
CHIEF FINANCE OFFICER**

# **ANNUAL GOVERNANCE STATEMENT**

## **Scope of Responsibility**

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

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011 4(3) and 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 2015 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

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

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

Vision statement which were updated in February 2014. The Corporate Plan consists of 3 priorities:-

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

The plan set out 5 key projects for 2014/15:-

- To complete the first year of the Great Place, Great Service programme to transform the way we deliver council services.
- To begin work on building the new Queen's Park Sports Centre.
- To begin the first phase of the Chesterfield Waterside regeneration scheme.
- To deliver the Decent Homes Standard for council homes.
- To build Parkside Sheltered Housing Scheme.

Amongst many other achievements during 2014/15 the Council has:-

- Brought all council homes up to the Decent Homes Standard
- Started building the new Queen's Park Sports Centre which is due to open in January 2016
- Completed the Parkside Sheltered Housing Scheme
- Provided some new affordable housing at Chesterfield Waterside
- Gained approval for the Local Plan
- Achieved the Green Flag Award for 4 of our parks
- Refurbished play facilities
- Redeveloped the Market Hall
- Attracted investment
- Invested in the Pomegranate Theatre and the Winding Wheel

The Council's values have also been refreshed and reflect the way the council wants to achieve its vision, these are:-

**Customer focused:** delivering great customer service, meeting customer needs

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

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

**Honesty and respect:** embracing diversity and treating everyone fairly

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

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. One of the Council's significant partnerships is the Sheffield City Region Local Enterprise Partnership for which there is an inter authority agreement in place. This agreement requires all constituent members to share in any liability incurred by the accountable body which is Sheffield City Council.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking, monitoring budgets and undertaking lean reviews. The council is in the process of developing a benefits optimisation tool that will identify the priority areas for efficiency reviews.

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

The Cabinet is the part of the authority which is responsible for most day to day decisions. There are 3 overview and scrutiny committees which 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 performance management system ensures that the Chief Executive is monitored for performance in the delivery of political priorities which are in turn monitored and measured across all staff. The Council's Monitoring Officer is a Member of the Corporate Management team and suitably qualified.

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

requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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

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

### **Review of Effectiveness**

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

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

- Internal audit reviews of systems and procedures in accordance with the agreed internal audit plan
- Annual review of the Council's Code of Corporate Governance
- Monitoring Officer reviews and monitors the operation of the Council's Constitution
- The Chief Executive, Executive Directors and Service Heads monitoring the risks and the associated controls assigned to them
- The Chief Financial Officer (the Head of Finance) 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 head of the internal audit consortium. The annual review of the Local Code of Corporate Governance is reported to both the Standards and Audit Committee and the Council's Cabinet.
- The Cabinet receives and considers reports on the outcome of reviews by the external auditor and other review agencies.

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

## Significant Governance Issues

The following significant governance issues have been identified:

No.	Issue	Action Proposed	Target Date
1.	Implementing actions to address the forecast deficits in 2015/16. Other budget risks such as the continuing impacts of the economic climate on key income streams and investment returns.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan for the period 2015-2019. This will be achieved through the established mechanisms of the Council's Financial Planning Group, Corporate Management Team/Executive Member Budget workshops` and Risk Management Group, and through the preparation of quarterly monitoring reports to the Council's Cabinet and Scrutiny Forum. Regular dialogue with Regional Trade Union Officials will take place.	01/03/16
2.	The procurement process requires improvement from start to finish, from identifying the procurement need through to the letting and management of the contract. It needs to be ensured that the tendering and letting of contracts is in line with EU Regulations, Financial Regulations and Standing Orders.	The provision of a Procurement Service and the processes followed by managers are currently being reviewed. An options paper in terms of procurement will be presented to Cabinet by September 2015. Corporate procurement training will be arranged by September 2015 and this will ensure that all managers are aware of the requirements of Standing Orders and Financial Regulations and their key role in the procurement process from start to finish.	30/09/15
3.	There is a need to address the Data Protection issues identified in the May 2015 Internal Audit Report	The report and recommendations have been agreed and a timetable for implementing the recommendations is in the process of being developed.	30/12/15

4.	IT performance/PSN compliance and Security issues	<p>An Executive Director is leading on this review and the implementation of recommendations.</p> <p>There is a full timetable in place for meeting PSN requirements.</p> <p>A wider information security piece of work is also taking place.</p> <p>An ICT infrastructure review is ongoing.</p>	<p>30/06/15</p> <p>30/09/15</p> <p>31/03/16</p>
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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:**

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H Bowen  
Chief Executive

\_\_\_\_\_  
Councillor J Burrows  
Leader of Chesterfield Borough Council

**Date:**



## **MOVEMENT IN RESERVES STATEMENT**

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

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

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

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

## Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserve	Housing Revenue Account	Earmarked Housing Revenue Account Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 <sup>st</sup> March 2013	1,750	8,774	8,276	184	205	-	1,116	20,305	153,631	173,936
<b>Movement in reserves during 2013/14</b>										
Surplus/ (deficit) on provision of services	8,808	133	21,725	-	-	-	-	30,666	-	30,666
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	14,265	14,265
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>8,808</b>	<b>133</b>	<b>21,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,666</b>	<b>14,265</b>	<b>44,931</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(7,758)	(21)	(17,394)	-	197	66	124	(24,786)	24,786	-
<b>Net Increase / Decrease before transfer to Earmarked Reserves</b>	<b>1,050</b>	<b>112</b>	<b>4,331</b>	<b>-</b>	<b>197</b>	<b>66</b>	<b>124</b>	<b>5,880</b>	<b>39,051</b>	<b>44,931</b>
Transfer to/from Earmarked Reserves	(1,050)	1,049	(112)	112	27	-	-	26	(26)	-
<b>Increase / Decrease in 2013/14</b>	<b>-</b>	<b>1,161</b>	<b>4,219</b>	<b>112</b>	<b>224</b>	<b>66</b>	<b>124</b>	<b>5,906</b>	<b>39,025</b>	<b>44,931</b>
<b>Balance at 31<sup>st</sup> March 2014 carried forward (notes 8, 40 &amp; 41)</b>	<b>1,750</b>	<b>9,935</b>	<b>12,495</b>	<b>296</b>	<b>429</b>	<b>66</b>	<b>1,240</b>	<b>26,211</b>	<b>192,656</b>	<b>218,867</b>
<b>Movement in reserves during 2014/15</b>										
Surplus/ (deficit) on provision of services	643	(20)	7,579	-	-	-	-	8,202	-	8,202
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(14,047)	(14,047)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>643</b>	<b>(20)</b>	<b>7,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,202</b>	<b>(14,047)</b>	<b>(5,845)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	277	(12)	(1,988)	-	225	2,213	(491)	224	(224)	-
<b>Net Increase / Decrease before transfer to Earmarked Reserves</b>	<b>920</b>	<b>(32)</b>	<b>5,591</b>	<b>-</b>	<b>225</b>	<b>2,213</b>	<b>(491)</b>	<b>8,426</b>	<b>(14,271)</b>	<b>(5,845)</b>
Transfer to/from Earmarked Reserves	(920)	926	(60)	60	46	-	-	52	(52)	-
<b>Increase / Decrease in 2014/15</b>	<b>-</b>	<b>894</b>	<b>5,531</b>	<b>60</b>	<b>271</b>	<b>2,213</b>	<b>(491)</b>	<b>8,478</b>	<b>(14,323)</b>	<b>(5,845)</b>
<b>Balance at 31<sup>st</sup> March 2015 carried forward (notes 8, 40 &amp; 41)</b>	<b>1,750</b>	<b>10,829</b>	<b>18,026</b>	<b>356</b>	<b>700</b>	<b>2,279</b>	<b>749</b>	<b>34,689</b>	<b>178,333</b>	<b>213,022</b>

## **COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

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

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

The Statement has two sections.

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

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

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14			2014/15			
Expenditure £000	Income £000	Net Expenditure £000		Expenditure £000	Income £000	Net Expenditure £000
2,214	(898)	<b>1,316</b>	Central Services to the Public	2,326	(1,095)	<b>1,231</b>
11,061	(4,633)	<b>6,428</b>	Cultural	11,298	(4,634)	<b>6,664</b>
7,843	(4,165)	<b>3,678</b>	Environmental	8,021	(4,484)	<b>3,537</b>
6,834	(5,150)	<b>1,684</b>	Planning	6,644	(5,079)	<b>1,565</b>
2,700	(3,115)	<b>(415)</b>	Highways & Transport	2,401	(3,096)	<b>(695)</b>
38,844	(37,785)	<b>1,059</b>	Other Housing Services	40,330	(38,852)	<b>1,478</b>
8,316	(7,380)	<b>936</b>	Corporate & Democratic	10,305	(7,486)	<b>2,819</b>
314	-	<b>314</b>	Non-Distributed Costs	69	-	<b>69</b>
78,126	(63,126)	<b>15,000</b>	<b>COST OF GENERAL FUND SERVICES</b>	81,394	(64,726)	<b>16,668</b>
13,027	(37,264)	<b>(24,237)</b>	Local Authority Housing (HRA)	25,757	(39,260)	<b>(13,503)</b>
91,153	(100,390)	<b>(9,237)</b>	<b>COST OF SERVICES</b>	107,151	(103,986)	<b>3,165</b>
2,103	-	<b>2,103</b>	Other operating expenditure (Note 9)	2,249	-	<b>2,249</b>
(1,836)	(5,059)	<b>(6,895)</b>	Financing and investment income & expenditure (note 10)	9,934	(5,208)	<b>4,726</b>
-	(16,637)	<b>(16,637)</b>	Taxation and non-specific grant income (Note 11)	-	(18,342)	<b>(18,342)</b>
		<b>(30,666)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(8,202)</b>
		<b>(1,392)</b>	(Surplus)/deficit on revaluation of Property, Plant & Equipment			<b>(2,322)</b>
		-	(Surplus)/deficit on revaluation of available for sale financial assets			-
		<b>(12,873)</b>	Actuarial (gains)/losses on pension liabilities			<b>16,369</b>
		-	Other			-
		<b>(14,265)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>14,047</b>
		<b>(44,931)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>5,845</b>

## **BALANCE SHEET**

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

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

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

## BALANCE SHEET AS AT 31ST MARCH 2015

2013/14		2014/15	Notes
£000		£000	
265,915	Council Dwellings	269,689	)
58,361	Other Land & Buildings	58,096	)
553	Vehicles, Plant, Furniture & Equipment	498	)19,22,
3,400	Infrastructure Assets	3,395	)23,25
4,072	Community Assets	4,072	)
1,596	Assets Under Construction	6,487	)
1,246	Surplus Assets Not Held for Sale	1,108	)
335,143	<b>Property, Plant &amp; Equipment</b>	<b>343,345</b>	
2,204	Heritage Assets	2,505	20
59,336	Investment Properties	59,536	24
236	Intangible Assets	356	21
4,410	Long Term Investments	4,516	
1,282	Long Term Debtors	1,316	28
402,611	<b>Long Term Assets</b>	<b>411,574</b>	
149	Assets Held for Sale - Property, Plant & Equipment	182	33
2,046	Assets Held for Sale - Investment Properties	375	33
19,573	Short Term Investments	22,670	
317	Inventories	316	30
7,718	Short Term Debtors	8,722	31
477	Cash & Cash Equivalents	976	32
30,280	<b>Current Assets</b>	<b>33,241</b>	
(6,930)	Short Term Borrowing	(4,896)	
(10,034)	Short Term Creditors	(9,702)	34
(989)	Short Term Provisions	(1,351)	35
(60)	Cash Overdrawn	(2,713)	32
(18,013)	<b>Current Liabilities</b>	<b>(18,662)</b>	
(138,296)	Long Term Borrowing	(135,409)	
(1,462)	Long Term Provisions	(2,417)	35
(55,791)	Net Pension Scheme Liabilities	(74,921)	15 & 57
(132)	Other Long Term Liabilities	(79)	
(330)	Capital Grants Receipts in Advance	(306)	
(196,011)	<b>Long Term Liabilities</b>	<b>(213,132)</b>	
<b>218,867</b>	<b>Net Assets</b>	<b>213,021</b>	
26,211	Usable Reserves	34,689	8,40
192,656	Unusable Reserves	178,332	41-48
<b>218,867</b>	<b>Total Reserves</b>	<b>213,021</b>	

## CASH FLOW STATEMENT

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

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

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

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

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

## CASH FLOW STATEMENT

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(30,666)	Net (surplus)/deficit on provision of services	<b>(8,202)</b>
9,937	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 49)	<b>(19,591)</b>
7,797	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 50)	<b>12,621</b>
(12,932)	Net cash flows from Operating Activities (Note 51)	<b>(15,172)</b>
10,249	Investing Activities (Note 52)	<b>11,817</b>
2,783	Financing Activities (Note 53)	<b>5,509</b>
<b>100</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>2,154</b>
(517)	Cash and cash equivalents at beginning of reporting period	<b>(417)</b>
<b>(417)</b>	<b>Cash and cash equivalents at end of reporting period (Note 32)</b>	<b>1,737</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 2014/15 financial year and its position at the year end 31<sup>st</sup> March 2015.

The Accounts and Audit Regulations 2011 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 2014/15 (the Code), and the Service Reporting Code of Practice 2014/15, 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 weeks 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 days pay each year. The effect of this is not considered material. Every fifth or sixth year, a 53 week year is included. 2014/15 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.

Our externally managed funds are held for investment purposes and are not included within cash and cash equivalents.

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 LIBOR.

## **1.5 OVERHEADS**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received.

The exception to this is:

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

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

## **1.6 EMPLOYEE BENEFITS**

### Benefits Payable During Employment

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

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

### Termination Benefits

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

### Post Employment Benefits

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

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

### The Local Government Pension Scheme

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

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

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

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

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

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

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

## **1.7 VALUE ADDED TAX**

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

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

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

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

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

## **1.9 INVENTORIES**

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

## **1.10 RESERVES**

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

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

### **1.11 PROVISIONS**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. Details of provisions are shown in the notes to the core financial statements (Page 68).

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

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

### **1.12 INVESTMENT PROPERTY**

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value. 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 fair value, on the basis of existing use for social housing
- all other assets are valued at fair value, on the basis of existing use

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 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 line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

## **Disposals**

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

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

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

### **1.14 DEPRECIATION & IMPAIRMENT**

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

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

Depreciation charges are calculated as follows:

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

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

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

- the fair 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 line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

## **1.19 LEASES**

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

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

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

### Finance Leases

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

### Operating Leases

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

### The Authority as Lessor

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

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

## 1.20 FINANCIAL INSTRUMENTS

### Financial Liabilities

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

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

### Financial Assets

Financial assets are classified into three types:

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

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

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

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

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

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

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

- 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

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 externally-managed investments as 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 subsidiary, associates and jointly controlled entities, it is required to prepare group accounts.

There were no group accounts identified for 2014/15.

## **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 57 on page 86 provide 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 INVESTMENTS**

Externally managed investments are classified as fair value through profit and loss.

## **1.26 PRIVATE PUBLIC PARTNERSHIP**

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

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

## **1.27 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.

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

The Code of Practice on Local Authority Accounting for 2015/16 requires the disclosure of information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Council from 1<sup>st</sup> April 2015.

IFRS 13 Fair Value Measurement – this standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change this will make, is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value. This standard is not expected to have a material impact on the Statement of Accounts due to the low value of surplus assets on the balance sheet.

IFRIC 21 Levies – this standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. It clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This standard will not have a material impact on the Statement of Accounts.

In addition there have been a number of minor changes to existing accounting standards:

IFRS 8 Operating Segments – this will require the council to disclose the factors used to identify the Council's reportable segments. This will require an additional disclosure in the 2015/16 accounting policies.

IAS 16 Property, Plant & Equipment – this amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact for the Council.

The Code requires implementation from 1<sup>st</sup> April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

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

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

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

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

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

The items in the Balance Sheet at 31<sup>st</sup> March 2015, 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 2014/15, the actuaries advised that the net pensions liability had reduced by £1.574m because of estimates being corrected as a result of experience and increased by £17.905m attributable to updating their assumptions.
Arrears	At 31 <sup>st</sup> March 2015, the Authority had a balance of sundry debtors of £4.1m. A review of significant balances based on age profile and likelihood of recovery, suggested that an impairment provision of £1.7m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 1% increase in the level of impairment provision would require an additional amount of £41k to be found.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that this level of spending on repairs and maintenance can be sustained, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, including council houses, would increase by £796k for every year that useful lives had to be reduced.

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 £15.4m in 2014/15. This spending is aimed at bringing dwellings up to the decent homes standard. It is anticipated that this level of investment will continue into future years.

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

The statement of accounts was authorised for issue on 30/06/2015 by the Chief Finance Officer, Barry Dawson CPFA. This is also the date up to which events after 31<sup>st</sup> March 2015 have been considered.

**7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

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



	Usable Reserves					
2014/15	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>						
<b>Reversal of items debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Depreciation, impairment & revaluation losses of non-current assets	2,762	8,232				(10,994)
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,252	4,376				(5,628)
Movement in market value of Investment Properties	702	(166)				(536)
Amortisation of intangible assets	21					(21)
Capital grants & contributions applied	(8,184)				(491)	8,675
Revenue expenditure funded from capital under statute	1,363					(1,363)
<b>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</b>						
Statutory provision for financing of capital investment	(384)					384
Capital expenditure charged against General Fund and HRA balances	(551)					551
Voluntary Repayment of Debt		(2,108)				2,108
<b><u>Adjustments primarily involving Capital Receipts Reserve:</u></b>						
Use of Capital Receipts Reserve to finance new capital expenditure			(3,561)			3,561
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	831		(831)			
Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(1,348)	(3,269)	4,617			
<b><u>Adjustment primarily involving Major Repairs Reserve:</u></b>						
HRA depreciation & impairment		(7,183)		7,183		
Excess of Major Repairs Allowance Over HRA depreciation		(2,266)		2,266		
Use of Major Repairs Reserve to finance new capital expenditure				(7,236)		7,236
<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	(1)					1
<b><u>Adjustments primarily involving Pensions Reserve:</u></b>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	6,441	392				(6,833)
Employers contributions payable to						

Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(4,073)					4,073
<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	1,443					(1,443)
<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	(9)	4				5
<b><u>Total Adjustments</u></b>	265	(1,988)	225	2,213	(491)	(224)

2013/14	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><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>						
<b><u>Reversal of items debited/credited to Comprehensive Income &amp; Expenditure Statement</u></b>						
Depreciation, impairment & revaluation losses of non-current assets	2,558	(4,063)				1,505
Non-current assets written off on disposal as part of gain/loss on disposal to CIES	1,104	3,274				(4,378)
Movement in market value of Investment Properties	(9,073)	(3,313)				12,386
Amortisation of intangible assets	10					(10)
Capital grants & contributions applied	(4,989)				124	4,865
Donated Assets	(30)					30
Revenue expenditure funded from capital under statute	824					(824)
<b><u>Insertion of items not debited/credited to Comprehensive Income &amp; Expenditure Statement</u></b>						
Statutory provision for financing of capital investment	(317)					317
Capital expenditure charged against General Fund and HRA balances	(820)	(35)				855
Voluntary Repayment of Debt		(2,139)				2,139
<b><u>Adjustments primarily involving Capital Receipts Reserve:</u></b>						
Use of Capital Receipts Reserve to finance new capital expenditure			(1,775)			1,775
Contribution from Capital Receipts Reserve to finance payments to Government capital receipts pool	760		(760)			

Transfer of cash sale proceeds credited as part of gain/loss on disposal to CIES	(465)	(2,267)	2,732			
<b><u>Adjustment primarily involving Major Repairs Reserve:</u></b>						
HRA depreciation & impairment		(7,358)		7,358		
Excess of Major Repairs Allowance Over HRA depreciation		(1,790)		1,790		
Use of Major Repairs Reserve to finance new capital expenditure				(9,082)		9,082
<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	5					(5)
<b><u>Adjustments primarily involving Pensions Reserve:</u></b>						
Reversal of items relating to retirement benefits debited/credited to Comprehensive Income & Expenditure Statement	6,254	245				(6,499)
Employers contributions payable to Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners in the year	(3,938)					3,938
<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	371					(371)
<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	(33)	52				(19)
<b>Total Adjustments</b>	<b>(7,779)</b>	<b>(17,394)</b>	<b>197</b>	<b>66</b>	<b>124</b>	<b>24,786</b>

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

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

	Balance 1/4/2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance 31/03/2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance 31/03/2015 £000
<b>General Fund</b>							
Vehicles & Plant	873	362	(168)	1,067	349	(205)	1,211
Information Technology	51	146	(151)	46	173	(219)	-
<b>Crematorium</b>							
Mercury Abatement	63	50	-	113	55	-	168
Capital Improvements	144	91	(21)	214	273	(13)	474
<b>Capital Reserves</b>	<b>1,131</b>	<b>649</b>	<b>(340)</b>	<b>1,440</b>	<b>850</b>	<b>(437)</b>	<b>1,853</b>
<b>General Fund</b>							
Invest to Save	775	-	(382)	393	-	(107)	286
Budget Risk Reserve	610	606	(216)	1,000	23	(243)	780
Service Improvement	1,487	8	(319)	1,176	25	(48)	1,153
Property Improvement	512	1,487	(1,357)	642	1,419	(1,344)	717
Insurance	177	393	(3)	567	-	-	567
Tenants Property	628	235	(269)	594	278	(201)	671
Tapton Innovation Centre	196	26	(21)	201	26	(2)	225
DSO/DLO Reserve	745	218	(272)	691	260	(377)	574
Community Forums	100	-	(100)	-	-	-	-
Planning Inquiry	223	76	(58)	241	19	-	260
Flood Restoration	82	-	-	82	-	-	82
Asset Management	44	-	-	44	-	-	44
Waterside – Affordable Homes	208	-	-	208	-	(208)	-
Elections Equipment	2	-	-	2	-	-	2
Working Neighbourhoods	327	-	(103)	224	-	(106)	118
Museum Exhibits	25	-	-	25	-	-	25
Internal Audit Consortium	19	42	(19)	42	11	(42)	11
Risk Management Fund	23	5	(18)	10	5	(10)	5
S106	386	135	(159)	362	22	(54)	330
Revenue Grants Unapplied	876	628	(777)	727	580	(530)	777
MMI Insurance Reserve	-	503	-	503	-	-	503
Barrow Hill Bridge	-	-	-	-	40	-	40
Business Rates	-	238	-	238	884	-	1,122
Repaid Improvement Grants	-	76	-	76	100	(1)	175
Zurich Insurance Risk Reserve	-	10	-	10	5	(10)	5
Building Control	-	50	-	50	41	(16)	75
Great Place:Great Service	-	50	-	50	82	(27)	105
<b>Crematorium</b>							
Crematorium Balance	189	162	(50)	301	22	(55)	268
Cremator Repairs	-	33	(9)	24	19	(3)	40
Crematorium Equipment	6	3	-	9	3	-	12
Organ Reserve	2	-	-	2	1	-	3
<b>Revenue Reserves</b>	<b>7,642</b>	<b>4,984</b>	<b>(4,132)</b>	<b>8,494</b>	<b>3,865</b>	<b>(3,384)</b>	<b>8,975</b>
<b>Total Earmarked Reserves</b>	<b>8,773</b>	<b>5,633</b>	<b>(4,472)</b>	<b>9,934</b>	<b>4,715</b>	<b>(3,821)</b>	<b>10,828</b>
<b>General Fund Working Balance</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>1,750</b>
<b>HRA</b>							
Housing Revenue Account Balance	8,276	4,288	(69)	12,495	5,531	-	18,026
Major Repairs Reserve (HRA)	-	9,148	(9,082)	66	9,449	(7,236)	2,279
Revenue Grants Unapplied	184	112	-	296	96	(36)	356
<b>Total HRA Reserves</b>	<b>8,460</b>	<b>13,548</b>	<b>(9,151)</b>	<b>12,857</b>	<b>15,076</b>	<b>(7,272)</b>	<b>20,661</b>

**9. OTHER OPERATING EXPENDITURE**

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Parish council precepts	<b>340</b>	306
Payments to Housing Capital Receipts Pool	<b>831</b>	761
(Gains)/losses on disposal of non-current assets	<b>1,018</b>	968
Other	<b>60</b>	68
<b>TOTAL</b>	<b>2,249</b>	2,103

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Interest payable & similar charges	<b>5,581</b>	5,760
Net interest on net defined benefit liability	<b>2,404</b>	2,770
Interest and Investment Income	<b>(372)</b>	(173)
Income and expenditure in relation to Investment Properties	<b>(2,943)</b>	(2,829)
(Gain)/loss on disposal of Investment Properties	-	677
Changes in fair value of Investment Properties	<b>536</b>	(12,386)
(Gain)/loss on trading accounts	<b>(480)</b>	(714)
<b>TOTAL</b>	<b>4,726</b>	(6,895)

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

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Council tax income	<b>(4,375)</b>	(4,300)
Business Rates income & expenditure	<b>(2,042)</b>	(2,552)
Non-ringfenced government grants	<b>(4,712)</b>	(5,333)
Capital grants and contributions	<b>(7,213)</b>	(4,422)
Donated assets	-	(30)
<b>TOTAL</b>	<b>(18,342)</b>	(16,637)

## 12. OTHER TRADING UNDERTAKINGS

In 2014/15, 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.

	2014/15			2013/14
	Gross Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	1,011	(1,244)	(233)	(75)
Trade Refuse	460	(551)	(91)	(111)
Industrial Units	1,093	(2,666)	(1,573)	(1,239)
Town Centre shops	3,678	(3,662)	16	(1,239)
	6,242	(8,123)	(1,881)	(2,664)

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

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

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

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

### 13. OFFICERS REMUNERATION

The number of all employees whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 were:		
Remuneration Band	No. of Employees	
	2014/15	2013/14
£50,000 - £54,999	3	1
£55,000 - £59,999	1	1
£60,000 - £64,999	-	1
£65,000 - £69,999	2	5
£70,000 - £74,999	2	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-

The following tables set out the remuneration disclosure for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

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

- (a) The Executive Director commenced in this new role from 17/11/14.  
 (b) The Executive Director commenced in this new role from 5/1/15.

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

<b>2013/14</b>	Salary (incl fees & allowances)	Expense Allowances	Benefits in Kind (e.g car allowance)	Compensation for loss of Employment	Total Remuneration excluding pension contributions 2013/14	Pension Contributions	Total Remuneration incl pension contributions 2013/14
Post title	£	£	£	£	£	£	£
Chief Executive	104,626	-	303	-	104,929	12,749	117,678
Head of Housing (a)	20,288	-	47	35,801	56,136	2,470	58,606
Head of Regeneration	65,775	59	807	-	66,641	7,991	74,632
Head of Environment	65,627	-	-	-	65,627	7,991	73,618
Head of Finance	65,810	100	103	-	66,013	7,991	74,004
Head of Governance	65,500	-	-	-	65,500	7,991	73,491
Head of Business Transformation	65,500	-	244	-	65,744	7,991	73,735
Housing Manager(Customer Services) (b)	33,831	-	942	-	34,773	4,117	38,890
Housing Manager(Operational Services) (b)	34,045	-	-	-	34,045	4,081	38,126
Housing Business Planning & Strategy Manager (b)	31,669	20	-	-	31,689	3,844	35,533
<b>Total</b>	<b>552,671</b>	<b>179</b>	<b>2,446</b>	<b>35,801</b>	<b>591,097</b>	<b>67,216</b>	<b>658,313</b>

- (a) The Head of Housing left 22/7/13.
- (b) The Head of Housing was not replaced. From 23/7/13, three senior housing managers now report directly to the Chief Executive.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£000	£000
£0 - £20,000	5	3	7	7	12	10	145	71
£20,001 - £40,000	1	1	1	-	2	1	53	27
£40,001 - £60,000	2	-	-	-	2	-	89	-
<b>Total</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>16</b>	<b>11</b>	<b>287</b>	<b>98</b>

#### 14. **AGENCY SERVICES**

The Council previously had an agency agreement with Derbyshire County Council whereby the Council was responsible for maintaining highways within the Borough on behalf of the County Council. Although this agreement has been terminated, the Council continues to provide an amenity maintenance service on behalf of the County Council and they reimburse the Council for this work, including a contribution towards administrative costs.

Total expenditure in 2014/15 was £253,747 (£253,716 in 2013/14).



## 15. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Scheme

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

The Council participates in the Local Government Pension Scheme and Derbyshire County Council administers the scheme. It is a funded defined benefit final salary 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>2014/15 £000</b>	<b>2013/14 £000</b>
Cost of Services		
Service cost comprising:		
• Current service cost	<b>4,564</b>	3,622
• Past service costs	<b>46</b>	291
Financing & Investment Income and Expenditure		
• Net interest expense	<b>2,404</b>	2,770
Total Post Employment Benefit Charged to Surplus/Deficit on Provision of Services	<b>7,014</b>	6,683
Remeasurement of net defined benefit liability comprising:		
• Return on plan assets(excluding amount included in net interest expense)	<b>(9,941)</b>	173
• Actuarial gains and losses arising on changes in demographic assumptions	-	(1,929)
• Actuarial gains and losses arising on changes in financial assumptions	<b>27,896</b>	548
• Other	<b>(1,585)</b>	(11,665)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	<b>23,384</b>	(6,190)

<b>Movement in Reserves Statement</b>		
<ul style="list-style-type: none"> <li>Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code</li> </ul>	<b>(7,014)</b>	(6,683)
Actual amount charged against General Fund Balance for pensions in year		
<ul style="list-style-type: none"> <li>Employers' contributions payable to scheme</li> </ul>	<b>4,254</b>	4,122

#### 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>2014/15 £000</b>	2013/14 £000
Present value of defined benefit obligation	<b>218,404</b>	185,838
Fair value of plan assets	<b>(143,852)</b>	(130,372)
<b>Net liability arising from defined benefit obligation</b>	<b>74,552</b>	55,466

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

	<b>2014/15 £000</b>	2013/14 £000
Opening fair value of scheme assets	<b>130,372</b>	126,243
Interest income	<b>5,560</b>	5,278
Re-measurement gain/loss:		
<ul style="list-style-type: none"> <li>Return on plan assets, excluding amount included in net interest expense</li> </ul>	<b>9,888</b>	(163)
Contribution from employer	<b>4,225</b>	4,105
Contributions from employees into the scheme	<b>1,065</b>	992
Benefits paid	<b>(7,258)</b>	(6,083)
<b>Closing fair value of scheme assets</b>	<b>143,852</b>	130,372

#### Reconciliation of Present Value of Scheme Liabilities

	<b>2014/15 £000</b>	2013/14 £000
Opening balance at 1 <sup>st</sup> April	<b>185,838</b>	192,057
Current service cost	<b>4,543</b>	3,607
Interest cost	<b>7,951</b>	8,036
Contribution from scheme participants	<b>1,065</b>	992
Remeasurement gains/losses:		
<ul style="list-style-type: none"> <li>Actuarial gains/losses arising from changes in demographic assumptions</li> </ul>	-	(1,937)
<ul style="list-style-type: none"> <li>Actuarial gains/losses arising from changes in financial assumptions</li> </ul>	<b>27,793</b>	539
<ul style="list-style-type: none"> <li>Other</li> </ul>	<b>(1,574)</b>	(11,664)
Past service cost	<b>46</b>	291
Benefits paid	<b>(7,258)</b>	(6,083)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>218,404</b>	185,838

Local Government Pension Scheme Assets

	Fair Value of Scheme Assets							
	2014/15				2013/14			
	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>	-	9,128	<b>9,128</b>	6%	7,235	-	7,235	6%
<b>Equity Securities</b>								
• Consumer	11,392	-	<b>11,392</b>	8%	11,242	-	11,242	9%
• Manufacturing	14,417	-	<b>14,417</b>	10%	18,469	-	18,469	14%
• Energy & utilities	10,502	-	<b>10,502</b>	7%	11,634	-	11,634	9%
• Financial institutions	11,178	-	<b>11,178</b>	8%	22,657	-	22,657	17%
• Health and care	6,433	-	<b>6,433</b>	4%	6,932	-	6,932	5%
• Information technology	2,893	-	<b>2,893</b>	2%	3,633	-	3,633	3%
• Other	14,391	-	<b>14,391</b>	10%	1,913	-	1,913	1%
Sub-total Equity	71,206	-	<b>71,206</b>	49%	76,480	-	76,480	58%
<b>Debt Securities</b>								
• Corporate	-	6,948	<b>6,948</b>	5%	647	-	647	0.5%
• UK Government	17,550	-	<b>17,550</b>	12%	16,192	-	16,192	12%
• Other	3,809	-	<b>3,809</b>	3%	3,793	-	3,793	3%
Sub-total Debt	21,359	6,948	<b>28,307</b>	20%	20,632	-	20,632	15.5%
<b>Property</b>								
• UK Property	-	6,977	<b>6,977</b>	5%	3,860	2,268	6,128	5%
<b>Private Equity</b>								
• All	703	367	<b>1,070</b>	1%	640	365	1,005	1%
<b>Investment Funds &amp; Unit Trusts</b>								
• Equities	25,142	871	<b>26,013</b>	18%	14,202	266	14,468	11%
• Bonds	-	-	-	-	-	3,851	3,851	3%
• Infrastructure	400	751	<b>1,151</b>	1%	-	573	573	0.5%
Sub-total Investment Funds & Unit Trusts	25,542	1,622	<b>27,164</b>	19%	14,202	4,690	18,892	14.5%
<b>Total Assets</b>	<b>118,810</b>	<b>25,042</b>	<b>143,852</b>	100%	123,049	7,323	130,372	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 2013.

The significant assumptions used by the actuary are:

	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	22.0	22.0
• Women	24.2	24.2
Longevity at 65 for future pensioners		
• Men	24.1	24.1
• Women	26.6	26.6
Rate of inflation	2.4%	2.8%
Rate of increase in salaries	3.3%	3.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%
Take up of option to convert annual pension into retirement lump sum – pre April 2008 service	50%	50%
Take up of option to convert annual pension into retirement lump sum – post April 2008 service	75%	75%

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

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	21,847
1 year increase in member life expectancy	3%	6,552
0.5% increase in Salary Increase Rate	3%	6,731
0.5% increase in Pension Increase Rate	7%	14,712

#### Impact on the Authority's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme may not provide benefits in relation to service after 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 2015/16 is £4.304m.

The weighted average duration of the defined benefit obligation for scheme members is 22.7 years for active and deferred members and 11.3 years for pensioner members. Taken together the weighted average duration for 14/15 is 17.4 years.

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

## 16. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Special Responsibility & Other Allowances	<b>132</b>	131
Basic Responsibility Allowances	<b>212</b>	211
Members expenses	<b>5</b>	8
<b>TOTAL</b>	<b>349</b>	350

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))

## 17. **GRANT INCOME**

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15.

	2014/15 £000	2013/14 £000
<b>Credited to Taxation &amp; Non Specific Grant Income</b>		
Revenue Support Grant	3,355	4,430
Council Tax Freeze Grant	48	-
New Homes Bonus Grant	462	376
Sport England	150	-
Homes & Communities Agency	6,000	2,300
Heritage Lottery Fund	216	342
Dept Communities & Local Government: -		
• Small Business Rate Relief	796	503
• Other	51	23
S106 contributions	288	230
ERDF	328	1,396
Arts Council	436	33
Other	44	120
<b>TOTAL</b>	<b>12,174</b>	<b>9,753</b>

<b>Credited to Services:</b>		
<b>Capital</b>		
Dept Communities & Local Government - Housing	460	447
Dept of Energy & Climate Change	-	127
Environment Agency	29	43
Other	8	3
<b>Revenue</b>		
Dept for Work & Pensions – Housing Benefits	37,794	37,316
Dept Communities & Local Government	563	314
Arts Council	-	10
Lottery Fund	24	172
Other Government Grants	92	33
Derbyshire County Council:		
- Supporting people	535	508
- Highways agency	254	254
- Other	206	152
Other Local Authorities	16	21
Primary Care Trust	16	16
S106 Contributions	41	100
<b>TOTAL</b>	<b>40,038</b>	<b>39,516</b>

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

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
<b>Capital Grants Receipts in Advance</b>		
Environment Agency	<b>287</b>	316
Derbyshire County Council	<b>4</b>	4
S106 Contributions	<b>18</b>	10
Other	<b>(3)</b>	-
<b>TOTAL</b>	<b>306</b>	330

**18. EXTERNAL AUDIT COSTS**

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Audit of Accounts	<b>69</b>	69
Certification of Grant Claims	<b>9</b>	4
<b>Total</b>	<b>78</b>	73

## 19. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

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



<u>Movements in 2013/14</u>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>TOTAL</b>
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value:</b>								
Brought forward 1 April	252,365	61,962	3,026	5,835	4,072	1,228	1,173	329,661
Additions	12,283	153	175				1,750	14,361
Revals - Reval'n Res	315	417				21		753
Revals - surplus/deficit on provision of services	4,536	(659)						3,877
Derecog'n - disposals	(1,660)		(119)					(1,779)
Derecog'n - other	(1,922)	(945)	(634)					(3,501)
Reclassified to/from Held For Sale		(158)						(158)
Other movements	(2)	1,327					(1,327)	(2)
<b>GBV at 31 March 14</b>	<b>265,915</b>	<b>62,097</b>	<b>2,448</b>	<b>5,835</b>	<b>4,072</b>	<b>1,249</b>	<b>1,596</b>	<b>343,212</b>
<b>Accumulated Depreciation &amp; Impairment:</b>								
Brought forward 1 April	-	(3,585)	(2,448)	(2,203)	-	(2)	-	(8,238)
Additions - depreciation	(6,710)	(1,634)	(195)	(232)		(1)		(8,772)
Additions - impairment	(202)							(202)
Revals - Reval'n Res		696						696
Revals - surplus/deficit on provision of services	6,547							6,547
Derecog'n - disposals	250		114					364
Derecog'n - other	113	778	634					1,525
Reclassified to/from Held For Sale		9						9
Other movements	2							2
<b>Depreciation &amp; Impairment at 31 March 14</b>	<b>-</b>	<b>(3,736)</b>	<b>(1,895)</b>	<b>(2,435)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(8,069)</b>
<b>Net Book Value B/fwd</b>	<b>252,365</b>	<b>58,377</b>	<b>578</b>	<b>3,632</b>	<b>4,072</b>	<b>1,226</b>	<b>1,173</b>	<b>321,423</b>
<b>Net Book Value at 31 March 14</b>	<b>265,915</b>	<b>58,361</b>	<b>553</b>	<b>3,400</b>	<b>4,072</b>	<b>1,246</b>	<b>1,596</b>	<b>335,143</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

## **20. 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 01/04/14 £000	Additions £000	Disposals £000	Revals (RR) £000	Revals (S/D on Prov of Servs) £000	Other Changes £000	Balance C/F at 31/03/15 £000
Rosewall Sculpture	950						950
Historic Sites & Buildings	320			(2)			318
Museum Collection (mainly fine & decorative arts)	265						265
Civic Plate, Paintings & Porcelain	155						155
Mayoral Regalia	132						132
<b>Assets Carried at Valuation</b>	<b>1,822</b>			<b>(2)</b>			<b>1,820</b>
Barrow Hill Railway HC	344						344
War Memorials etc.	38						38
Museum Collection	-						-
Percent for Art Sculptures	-	303					303
<b>Assets Carried at Cost</b>	<b>382</b>	<b>303</b>					<b>685</b>
<b>TOTAL HERITAGE ASSETS</b>	<b>2,204</b>	<b>303</b>		<b>(2)</b>			<b>2,505</b>

### Historic Sites & Buildings

These assets are measured at valuation using conventional valuation approaches. They were valued as at April 2010 by Kier who are the Authority's Asset Management partner, in accordance with the Statements of Asset Valuation Practice & Guidance Notes of the Royal Institute of Chartered Surveyors. The exception to this is Barrow Hill Railway Heritage Centre which is measured at historical cost. They will be valued every five years as part of the Authority's rolling programme.

### Rosewall Sculpture

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

### Mayoral Regalia

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

### Civic Plate, Paintings & Porcelain

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

## Museum Collection

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

## Assets not included in the Balance Sheet

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

Percent for Art – The Council supports the promotion of public art as good planning practice which brings cultural, environmental and economic benefit to local communities. Current planning policy requires developers of schemes costing more than £1m to include a work of art to the value of 1% of the total project cost on their development. The Council keeps a register of sculptures owned and maintained by it in the Forward Planning Section. The Council manages a separate website [www.chesterfieldarttrail.co.uk](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 £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 acquisition and disposal policy is available from the Museum Curator and is reviewed every 5 years. The next review will take place in 2015.

### 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.

## Five Year Summary of Transactions

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
<b><u>Assets Carried at Valuation</u></b>					
Cost of acquisitions	-	-	-	-	-
Fair value of donations	-	-	-	-	-
Disposals – carrying amount	-	-	-	-	-
Disposals – sale proceeds	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b><u>Assets Carried at Cost</u></b>					
Cost of acquisitions	-	-	-	-	303
Fair value of donations	-	-	-	-	-
Disposals – carrying amount	-	-	-	-	-
Disposals – sale proceeds	-	-	-	-	-
Impairment losses	-	-	-	-	-

## 21. **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><u>Purchased Software Licences</u></b>	2014/15 £000	2013/14 £000
<b>Net Carrying Amount:</b>		
Brought forward 1 April	236	132
Additions	141	114
Disposals	-	-
Amortisation for the period	(21)	(10)
<b>Carried forward 31 March</b>	<b>356</b>	<b>236</b>

For 2014/15, total amortisation charges of £21k were included in the Comprehensive Income and Expenditure Statement as detailed in the table below.

<b><u>Analysis of Amortisation Charges</u></b>	2014/15 £000
Corporate and Democratic	21
<b>Total</b>	<b>21</b>

## 22. **CAPITAL COMMITMENTS**

The Council has approved a capital programme for the two year period to 2016/17 amounting to approximately £63m of which approximately £8.7m was contractually committed at 31<sup>st</sup> March 2015.

	<b>Approved Expenditure £000</b>	<b>Committed £000</b>
Council Housing	46,996	1,447
Renovation Grants	1,642	101
Leisure	6,430	6,430
Planning & Property	2,093	372
Other Schemes	6,336	386
	<b>63,497</b>	<b>8,736</b>

## 23. **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.

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
<b>Opening Capital Financing Requirement (CFR) 1<sup>st</sup> April</b>	<b>151,199</b>	151,037
<u>Capital Investment</u>		
Property, Plant and Equipment	<b>21,629</b>	14,333
Investment Properties	<b>(11)</b>	3,925
Intangible Assets	<b>141</b>	114
Heritage Assets	<b>303</b>	-
Revenue Expenditure Funded from Capital under Statute	<b>1,363</b>	824
<u>Financed by</u>		
Capital Receipts	<b>(2,550)</b>	(1,775)
Capital Grants & Contributions	<b>(8,675)</b>	(4,865)
Revenue Balances & Direct Revenue Financing	<b>(7,788)</b>	(9,936)
Minimum / Voluntary Revenue Provision	<b>(2,492)</b>	(2,458)
Use of Capital Receipts to Repay Debt	<b>(1,011)</b>	-
<b>Closing Capital Financing Requirement 31<sup>st</sup> March</b>	<b>152,108</b>	151,199
<b>Increase/(Decrease) in CFR</b>	<b>909</b>	162
<u>Analysis of Increase/(Decrease) in CFR</u>		
Supported by Government Financial Assistance	-	-
Unsupported by Government Financial Assistance	<b>909</b>	162
<b>Increase/(Decrease) in CFR</b>	<b>909</b>	162

## 24. **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>2014/15 £000</b>	<b>2013/14 £000</b>
Rental income from investment property	<b>4,356</b>	4,172
Direct operating expenses arising from investment property	<b>1,413</b>	1,343
<b>Net gain/(loss)</b>	<b>2,943</b>	2,829

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>2014/15 £000</b>	<b>2013/14 £000</b>
Balance at start of year	<b>59,336</b>	44,370
Additions:		
Subsequent expenditure	<b>(11)</b>	3,925
Disposals	<b>(670)</b>	(1,345)
Net gains/losses from fair value adjustments	<b>(520)</b>	12,386
Other changes	<b>1,401</b>	-
<b>Balance at end of year</b>	<b>59,536</b>	59,336

## **25. 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 2015 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 93).

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>
Valued at historical cost		74	498		<b>572</b>
<u>Valued at current value:</u>					
2014/15	268,386	4,494			<b>272,880</b>
2013/14		6,227		1,108	<b>7,335</b>
2012/13	73	10,565			<b>10,638</b>
2011/12	1,230	20,643			<b>21,873</b>
2010/11		16,093			<b>16,093</b>
<b>Total Net Book Value</b>	<b>269,689</b>	<b>58,096</b>	<b>498</b>	<b>1,108</b>	<b>329,391</b>

## **26. DEPRECIATION**

The treatment of depreciation is described in Note 1.14 (page 30) of the Summary of Significant Accounting Policies.

## **27. IMPAIRMENT LOSSES**

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2014/15.



## 28. LONG TERM DEBTORS

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

	31 <sup>st</sup> March	
	2014/15 £000	2013/14 £000
Housing Associations	74	76
Chesterfield Football Club	858	886
Operating Lease Incentives	154	75
Other	230	245
<b>Total</b>	<b>1,316</b>	1,282

## 29. LEASES

### Authority as Lessee

#### Finance Leases

The Authority has no finance leases.

#### Operating Leases

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

	31 <sup>st</sup> March	
	2015 £000	2014 £000
Not later than 1 year	625	625
Later than 1 year and not later than 5 years	675	1,276
Later than 5 years	37	51
<b>Total</b>	<b>1,337</b>	1,952

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31<sup>st</sup> March, 2015 was £0k (£6k at 31<sup>st</sup> March, 2014).

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

	Year Ended 31 <sup>st</sup> March	
	2015 £000	2014 £000
Minimum lease payments	628	669
Contingent rents	9	10
<b>Total</b>	<b>637</b>	679

## 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	
	2015 £000	2014 £000
Not later than 1 year	2,039	1,883
Later than 1 year and not later than 5 years	3,987	3,926
Later than 5 years	3,607	3,757
<b>Total</b>	<b>9,633</b>	<b>9,566</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 2014/15, £352,071 contingent rents were receivable by the Authority (2013/14 £378,496).

## 30. INVENTORIES

	31 <sup>st</sup> March	
	2015 £000	2014 £000
Direct Services	243	245
Crematorium	1	1
Other	72	71
<b>Total</b>	<b>316</b>	<b>317</b>

**31. DEBTORS**

	<b>31st March</b>	
	<b>2015 £000</b>	<b>2014 £000</b>
Sundry Debtors - Capital	-	-
Sundry Debtors - Revenue	<b>2,889</b>	3,204
Central Government Bodies	<b>3,336</b>	1,854
Other Local Authorities	<b>1,108</b>	1,209
Housing Revenue Account	<b>815</b>	928
Crematorium	<b>91</b>	51
Business Rate Payers	<b>261</b>	266
Council Tax Payers	<b>222</b>	206
<b>Total</b>	<b>8,722</b>	7,718

**32. CASH & CASH EQUIVALENTS**

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

	<b>31st March</b>	
	<b>2015 £000</b>	<b>2014 £000</b>
Cash held	<b>17</b>	17
Bank current accounts	<b>(2,713)</b>	(60)
Short term deposits with banks	<b>959</b>	460
<b>Total</b>	<b>(1,737)</b>	417

### 33. ASSETS HELD FOR SALE

	Current		Non Current	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
<b><u>Investment Property Held for Sale</u></b>				
Balance brought forward at 1 April	2,046	1,632		
Revaluations	(15)			
Assets newly classified as held for sale	693	668		
Assets declassified as held for sale	(1,401)	-		
Assets sold	(948)	(254)		
<b>Balance carried forward at 31 March</b>	<b>375</b>	<b>2,046</b>	<b>-</b>	<b>-</b>
<b><u>Other Assets Held for Sale</u></b>				
Balance brought forward at 1 April	149	54		
Assets newly classified as held for sale	358	149		
Assets declassified as held for sale	-	-		
Assets sold	(325)	(54)		
<b>Balance carried forward at 31 March</b>	<b>182</b>	<b>149</b>	<b>-</b>	<b>-</b>
<b><u>Net Sale Proceeds</u></b>				
Investment Property	1,181	316	-	-
Other Assets	381	176	-	-

### 34. CREDITORS

	31st March	
	2015 £000	2014 £000
Sundry creditors – Capital	1,347	734
Sundry creditors - Revenue	5,612	5,889
Central Government Bodies	812	1,212
Other Local Authorities	1,080	1,005
Housing Revenue Account	621	581
Crematorium	84	109
Advance Receipts: Business rates	62	424
Advance Receipts: Council tax	84	80
<b>Total</b>	<b>9,702</b>	<b>10,034</b>

### 35. PROVISIONS

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

	Balance b/fwd 01/04/14	Movements in year		Balance c/fwd 31/03/15
		Additions	Applied	
<b>Short Term Provisions</b>				
Non Domestic Rate Appeals	686	555	(208)	<b>1,033</b>
D.L.O. Provision	301	311	(294)	<b>318</b>
Redundancy Provision	2	-	(2)	-
<b>Total – Short Term Provisions</b>	<b>989</b>	<b>866</b>	<b>(504)</b>	<b>1,351</b>
<b>Long Term Provisions</b>				
Non Domestic Rate Appeals	-	775	-	<b>775</b>
Transport Employee Pensions	950	23	(41)	<b>932</b>
Insurance Provision	497	227	(35)	<b>689</b>
MMI Provision	11	-	(1)	<b>10</b>
Other	4	7	-	<b>11</b>
<b>Total – Long Term Provisions</b>	<b>1,462</b>	<b>1,032</b>	<b>(77)</b>	<b>2,417</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 next review will take place during 2015/16.

### **Insurance Provision**

All major risks are insured externally and the Insurance Fund is used to finance the excesses on these policies. An independent actuarial review of this fund was undertaken in 2013 which suggested that the fund balance was adequate.

### **MMI Provision**

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

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

As at the 31<sup>st</sup> March 2015 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 15% 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.

## **36. 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	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans & receivables	2,229	2,270	5,029	1,518
Available for sale	-	-	-	-
Financial assets at fair value through profit or loss	3,266	3,160	18,633	18,545
Financial assets carried at contract cost	-	-	4,281	4,700
<b>Financial Assets</b>	<b>5,495</b>	<b>5,430</b>	<b>27,943</b>	<b>24,763</b>
Financial liabilities at amortised cost	135,420	138,349	7,659	6,990
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities carried at contract cost	-	-	8,744	8,272
<b>Financial Liabilities</b>	<b>135,420</b>	<b>138,349</b>	<b>16,403</b>	<b>15,262</b>

## **37. 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:

2014/15	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost	Loans & Receivables	Available-for-sale assets	Fair value through Profit & Loss	
	£000	£000	£000	£000	
Interest expense	5,580	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
<b>Total expense in Surplus/Deficit on Provision of Services</b>	5,580	-	-	-	<b>5,580</b>
Interest income	-	(120)	-	-	
Dividend income	-	-	-	-	
Increase in fair value	-	-	-	(233)	
Gains on derecognition	-	-	(4)	-	
<b>Total income in Surplus/Deficit on Provision of Services</b>	-	(120)	(4)	(233)	<b>(357)</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>5,580</b>	<b>(120)</b>	<b>(4)</b>	<b>(233)</b>	

2013/14	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost	Loans & Receivables	Available-for-sale assets	Fair value through Profit & Loss	
	£000	£000	£000	£000	
Interest expense	5,756	-	-	-	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
<b>Total expense in Surplus/Deficit on Provision of Services</b>	5,756	-	-	-	<b>5,756</b>
Interest income	-	(107)	-	-	
Dividend income	-	-	(1)	-	
Increase in fair value	-	-	-	(49)	
Gains on derecognition	-	-	-	-	
<b>Total income in Surplus/Deficit on Provision of Services</b>	-	(107)	(1)	(49)	<b>(157)</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>5,756</b>	<b>(107)</b>	<b>(1)</b>	<b>(49)</b>	

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

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value 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:

- choice of an appropriate discount rate (based on the type of loan and its remaining life) from the PWLB premature repayment rates in force on the 31<sup>st</sup> March, 2015
- no impairment is recognised
- for both variable rate instruments and those expected to mature in the next 12 months, carrying amount is assumed to approximate to fair value
- 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 below.

	31 <sup>st</sup> March 2015		31 <sup>st</sup> March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	143,079	180,577	145,339	154,542

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 2015		31 <sup>st</sup> March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables	7,258	7,313	3,788	3,831

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This guarantee to receive interest above current market rate increases the amount that the authority would receive if it agreed to early repayment of the loans.

### 39. NATURE & EXTENT OF RISKS FROM FINANCIAL INSTRUMENTS

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



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

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

### Credit Risk

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

For lending decisions taken in-house, the authority operates individual counterparty exposure limits by value (£5m with any one institution and a group limit of £7.5m for a number of institutions under one ownership) and by duration (maximum of 12 months). The authority's core investments are managed externally, as a self-contained portfolio, in accordance with a formal agreement that sets out detailed parameters relating to credit worthiness and exposure limits.

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 2015  £000	Historical experience of default  %	Historical experience adjusted for market conditions at 31 <sup>st</sup> March 2015  %	<b>Estimated maximum exposure to default &amp; uncollectabi lity £000</b>	Estimated maximum exposure at 31 <sup>st</sup> March 2014 £000
Deposits with banks & financial institutions	21,899	-	-	-	21,705
Bonds	-	-	-	-	-
Customers	1,989	55.94	61.05	<b>1,214</b>	1,749
Total	23,888	-	-	<b>1,214</b>	23,454

The authority does not generally allow credit for customers, such that £1.596m (£1.74m in 2013/14) of the £1.989m (£1.749m in 2013/14) 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 2015 £000</b>	<b>31<sup>st</sup> March 2014 £000</b>
Less than three months	<b>393</b>	202
Three to six months	<b>78</b>	185
Six months to one year	<b>289</b>	235
More than one year	<b>836</b>	1,118
<b>Total</b>	<b>1,596</b>	1,740

### 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	<b>31<sup>st</sup> March 2015 £000</b>	<b>31<sup>st</sup> March 2014 £000</b>
1 year	<b>7,659</b>	6,930
1 to 2 years	<b>1,914</b>	2,936
2 to 5 years	<b>6,165</b>	6,077
5 to 10 years	<b>12,353</b>	11,817
10 to 15 years	<b>13,793</b>	13,424
15 to 20 years	<b>20,995</b>	18,895
20 to 25 years	<b>24,400</b>	24,600
25 to 30 years	<b>20,000</b>	21,400
30 to 35 years	<b>17,000</b>	17,000
35 to 40 years	<b>10,400</b>	12,600
40 to 45 years	<b>6,000</b>	6,000
45 to 50 years	<b>2,400</b>	3,600
<b>Total</b>	<b>143,079</b>	145,279

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 2014/15, the upper limit for exposure to variable rate debt was £72.5m (£75.125m in 2013/14).

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

The authority had no significant exposures to variable rate borrowings or variable rate investments at 31<sup>st</sup> March, 2015. At the same date, the authority was exposed to £21.899m (£21.705m 2013/14) of fixed rate investments through its external fund managers. These investments are traded in an active market and carried at fair value, with any changes therein having a direct impact on the Comprehensive Income and Expenditure Statement. The fund manager's terms of reference are designed to reduce the volatility of overall investment returns over the course of an interest rate cycle through the use of appropriate asset allocation strategies (see also Price Risk).

#### Price Risk

The authority does not invest in equity shares but does have an investment portfolio managed by external fund managers. Their terms of reference are that the fund be managed primarily for security and liquidity, with return a secondary consideration. Therefore whilst the authority is not in a position to directly manage this risk, its exposure to price movements is limited by the terms of reference imposed on the fund manager.

#### Foreign Exchange Risk

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

#### 40. USABLE RESERVES

	31st March	
	2015 £000	2014 £000
Earmarked Reserves - Capital	1,853	1,440
Earmarked Reserves - Revenue	8,975	8,494
Total Earmarked Reserves (GF)	10,828	9,934
General Fund(GF) Working Balance	1,750	1,750
HRA Working Balance	18,026	12,495
Earmarked Reserves - HRA	2,635	362
Useable Capital Receipts Reserve	700	429
Capital Grants Unapplied	750	1,241
<b>Total Usable Reserves</b>	<b>34,689</b>	<b>26,211</b>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 18. A detailed breakdown of the Council's earmarked reserves is provided in Note 8. Two further reserves are included in the balance sheet within the Usable Reserves category and the details of these are shown below:

<u>Usable Capital Receipts Reserve</u>	2014/15 £000	2013/14 £000
<b>Brought forward 1 April</b>	<b>429</b>	206
Additions	4,662	2,759
Pooling liability	(831)	(760)
Financing of capital expenditure	(2,549)	(1,776)
Voluntary repayment of debt	(1,011)	-
<b>Carried forward 31 March</b>	<b>700</b>	429

<u>Capital Grants Unapplied</u>	2014/15 £000	2013/14 £000
<b>Brought forward 1 April</b>	<b>1,241</b>	1,117
Additions	274	677
Transfers (to)/from revenue	222	(53)
Financing of capital expenditure	(987)	(500)
<b>Carried forward 31 March</b>	<b>750</b>	1,241

#### 41. UNUSABLE RESERVES

	31st March	
	2015 £000	2014 £000
Revaluation Reserve	15,419	13,651
Capital Adjustment Account	239,734	235,254
Financial Instruments Adjustment Account	(50)	(50)
Pensions Reserve	(74,921)	(55,791)
Deferred Capital Receipts Reserve	183	186
Collection Fund Adjustment Account	(1,840)	(397)
Accumulated Absences Account	(193)	(197)
<b>Total Unusable Reserves</b>	<b>178,332</b>	<b>192,656</b>

#### 42. 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.

	2014/15 £000	2013/14 £000
Balance brought forward 1 <sup>st</sup> April	13,651	12,659
Revaluation gains	2,358	1,467
Revaluation and impairment losses	(2)	(19)
Amounts t/f to Cap Adj Account (Depreciation)	(510)	(396)
Amounts t/f to Cap Adj Account (Disposals)	(78)	(60)
<b>Balance carried forward 31<sup>st</sup> March</b>	<b>15,419</b>	<b>13,651</b>

#### 43. **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.

	2014/15 £000	2013/14 £000
<b>Balance brought forward 1<sup>st</sup> April</b>	<b>235,254</b>	207,136
<b><u>Reversal of items recognised in the Comprehensive Income &amp; Expenditure Statement</u></b>		
Property, Plant & Equipment: depreciation charges	<b>(10,263)</b>	(8,771)
Property, Plant & Equipment: net revaluation gains/(losses)	<b>(785)</b>	10,221
Intangible Assets: amortisation charges	<b>(21)</b>	(10)
Revenue expenditure funded from capital under statute	<b>(1,363)</b>	(824)
Disposal/derecognition of non-current assets	<b>(5,628)</b>	(4,378)
Gain/(loss) in fair value of investment properties	<b>(536)</b>	12,386
<b><u>Amounts transferred from the Revaluation Reserve</u></b>		
Depreciation adjustment	<b>510</b>	396
Disposal/derecognition adjustment	<b>78</b>	60
<b><u>Capital financing provisions</u></b>		
Application of usable capital receipts	<b>3,561</b>	1,775
Application of Major Repairs Reserve	<b>7,236</b>	9,082
Application of revenue balances and direct revenue financing	<b>552</b>	855
Capital grants/contributions recognised in revenue during the period	<b>7,688</b>	4,365
Application of Capital Grants Unapplied	<b>987</b>	500
Minimum revenue provision	<b>2,492</b>	2,458
<b>Donated Assets</b>	<b>-</b>	30
<b>Principal repayments - deferred debtors</b>	<b>(28)</b>	(27)
<b>Balance carried forward 31<sup>st</sup> March</b>	<b>239,734</b>	235,254

#### 44. **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.

	<b>2015 £000</b>	<b>2014 £000</b>
Net (premium)/discount incurred in previous financial years to be recognised in the General Fund balance in accordance with statutory requirements	-	5
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>	-	5
Balance of net (premium)/discount at 1 April	<b>(50)</b>	(45)
Amortised in year	-	(5)
<b>Balance of net (premium)/discount at 31 March</b>	<b>(50)</b>	(50)

#### 45. 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>2015 £000</b>	<b>2014 £000</b>
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>(55,791)</b>	(66,103)
Actual gains or losses on pension assets and liabilities	<b>(16,370)</b>	12,873
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	<b>(7,014)</b>	(6,683)
Employers pension contributions	<b>4,254</b>	4,122
<b>Balance at 31<sup>st</sup> March</b>	<b>(74,921)</b>	(55,791)

#### 46. 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.

	2015 £000	2014 £000
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>186</b>	190
Transfer to Capital Receipts Reserve on receipt of cash	(3)	(4)
<b>Balance at 31<sup>st</sup> March</b>	<b>183</b>	186

#### 47. 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.

	2015 £000	2014 £000
<b>Balance brought forward at 1<sup>st</sup> April</b>	<b>(397)</b>	(27)
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	(1,443)	(370)
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,840)</b>	(397)

#### 48. 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.



	2015 £000	2014 £000
<b>Balance brought forward at 1<sup>st</sup> April</b>	197	179
Settlement or cancellation of accrual made at end of preceding year	(197)	(179)
Amounts accrued at end of current year	193	197
<b>Balance at 31<sup>st</sup> March</b>	193	197

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

	2014/15 £000	2013/14 £000
Depreciation	(11,048)	1,652
Impairment	-	(202)
Amortisation	(21)	(10)
Movement in Fair Value of Investments	194	3
(Increase)/decrease in Creditors	680	(1,691)
Increase/(decrease) in Debtors	789	1,083
Increase/(decrease) in Stock	(1)	(41)
Movement in Pension Liability	(2,761)	(2,561)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,551)	(4,318)
Movement in Investment Property Value	(535)	12,386
Other non-cash items charged to net surplus/deficit on provision of services	(1,337)	3,636
<b>Total</b>	<b>(19,591)</b>	<b>9,937</b>

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

	2014/15 £000	2013/14 £000
Proceeds from sale of PPE, investment properties & intangible assets	4,659	2,756
Capital grants	7,962	5,041
<b>Total</b>	<b>12,621</b>	<b>7,797</b>

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

The cash flows for operating activities include the following items:

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Interest received	(363)	(173)
Interest paid	5,581	5,760

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

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Purchase of non-current assets	21,460	18,099
Purchase of short term and long term investments	3,000	1,250
Other payments for investing activities	-	28
Proceeds from sale of non-current assets	(4,662)	(2,735)
Proceeds from short term and long term investments	-	(1,000)
Other receipts from investing activities	(7,981)	(5,393)
<b>Net cash flows from investing activities</b>	<b>11,817</b>	<b>10,249</b>

**53. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Cash receipts of short and long term borrowing	(2,000)	(5,310)
Other receipts from financing activities	-	-
Repayments of short and long term borrowing	6,921	7,885
Other payments for financing activities	588	208
<b>Net cash flows from financing activities</b>	<b>5,509</b>	<b>2,783</b>

**54. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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

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

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

<b>Portfolio Income &amp; Expenditure 2014/15</b>	Leader & Regeneration	Deputy Leader & Planning	Environment	Housing	Leisure, Culture & Tourism	Governance	Customers & Communities	Council Housing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	325	4,848	4,913	15	4,929	411	439	38,956	54,836
Government Grants	-	36	13	471	10	35	38,113	-	38,678
Recharges & Other Income	260	2,054	980	275	474	4,171	2,692	2,228	13,134
<b>Total Income</b>	<b>585</b>	<b>6,938</b>	<b>5,906</b>	<b>761</b>	<b>5,413</b>	<b>4,617</b>	<b>41,244</b>	<b>41,184</b>	<b>106,648</b>
Employee expenses	313	1,391	1,732	233	3,087	2,280	445	4,211	13,692
Other service expenses	332	3,167	6,678	620	4,116	3,048	40,215	11,840	70,016
Support service recharges	288	1,144	1,901	62	591	2,155	2,069	2,484	10,694
Capital charges	45	925	543	1,334	1,981	(161)	73	8,136	12,876
Provision for impairment	-	38	3	-	3	-	26	442	512
Transfer to/from reserves	25	96	1	44	-	-	68	-	234
<b>Total Expenditure</b>	<b>1,003</b>	<b>6,761</b>	<b>10,858</b>	<b>2,293</b>	<b>9,778</b>	<b>7,322</b>	<b>42,896</b>	<b>27,113</b>	<b>108,024</b>
<b>NET EXPENDITURE</b>	<b>418</b>	<b>(177)</b>	<b>4,952</b>	<b>1,532</b>	<b>4,365</b>	<b>2,705</b>	<b>1,652</b>	<b>(14,071)</b>	<b>1,376</b>

<b>Portfolio Income &amp; Expenditure 2013/14</b>	Leader & Regeneration	Deputy Leader & Planning	Environment	Housing	Leisure, Culture & Tourism	Governance	Customers & Communities	Council Housing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	281	4,885	3,923	25	4,492	254	406	37,007	51,273
Government Grants	-	43	10	629	45	-	37,389	-	38,116
Recharges & Other Income	284	2,223	1,807	70	559	4,310	2,680	2,024	13,957
<b>Total Income</b>	<b>565</b>	<b>7,151</b>	<b>5,740</b>	<b>724</b>	<b>5,096</b>	<b>4,564</b>	<b>40,475</b>	<b>39,031</b>	<b>103,346</b>
Employee expenses	307	1,418	1,812	207	3,046	2,231	443	3,802	13,266
Other service expenses	341	3,283	6,689	728	4,135	2,896	39,528	12,138	69,738
Support service recharges	300	1,114	1,959	63	739	2,469	2,024	2,515	11,183
Capital charges	45	(12,088)	1,218	787	4,057	124	70	(7,318)	(13,105)
Provision for impairment	-	30	4	-	(1)	-	(53)	89	69
Transfer to/from reserves	-	(7)	3	(35)	(51)	-	(27)	-	(117)
<b>Total Expenditure</b>	<b>993</b>	<b>(6,250)</b>	<b>11,685</b>	<b>1,750</b>	<b>11,925</b>	<b>7,720</b>	<b>41,985</b>	<b>11,226</b>	<b>81,034</b>
<b>NET EXPENDITURE</b>	<b>428</b>	<b>(13,401)</b>	<b>5,945</b>	<b>1,026</b>	<b>6,829</b>	<b>3,156</b>	<b>1,510</b>	<b>(27,805)</b>	<b>(22,312)</b>

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

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

	2014/15 £000	2013/14 £000
Net expenditure in Portfolio analysis	1,376	(22,312)
Add: Amounts in Comprehensive Income & Expenditure Statement not reported in the analysis	(589)	(2,424)
Less: Amounts included in analysis not in Comprehensive Income & Expenditure Statement	2,378	15,499
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>3,165</b>	<b>(9,237)</b>

Reconciliation to Subjective Analysis

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

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

<b>2013/14</b>	Portfolio analysis £000	Amounts not in analysis but in Cost of Services £000	Amounts in analysis not in Cost of Services £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	51,273	614	(4,172)	47,715	4,172	51,887
Government Grants	38,116	449	(30)	38,535	9,404	47,939
Recharges & Other Income	13,957	277	84	14,318	1,095	15,413
Interest & Investment Income	-	-	-	-	173	173
Income from Business Rates	-	-	-	-	2,552	2,552
Income from Council Tax	-	-	-	-	4,300	4,300
<b>Total Income</b>	<b>103,346</b>	<b>1,340</b>	<b>(4,118)</b>	<b>100,568</b>	<b>21,696</b>	<b>122,264</b>
Employee expenses	13,266	(159)	190	13,297	55	13,352
Other service expenses	69,738	(1,022)	(940)	67,776	1,100	68,876
Support service recharges	11,183	18	(226)	10,975	226	11,201
Depreciation, amortisation and impairment	(13,036)	79	12,357	(600)	(12,356)	(12,956)
Transfers to/from reserves	(117)	-	-	(117)	-	(117)
Interest payments	-	-	-	-	8,530	8,530
Precepts	-	-	-	-	306	306
Payments to Housing Capital Receipts Pool	-	-	-	-	760	760
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	1,646	1,646
<b>Total Expenditure</b>	<b>81,034</b>	<b>(1,084)</b>	<b>11,381</b>	<b>91,331</b>	<b>267</b>	<b>91,598</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(22,312)</b>	<b>(2,424)</b>	<b>15,499</b>	<b>(9,237)</b>	<b>(21,429)</b>	<b>(30,666)</b>

## 55. RELATED PARTY TRANSACTIONS

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

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

### Central Government

The UK Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 54 on reporting for resources allocation decisions.

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2014/15 is shown in Note 16. In addition, the Council paid grants totalling £278,695 to voluntary organisations in which 11 members had positions on the governing body. In all instances, the grants were

made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

### **Subsidiary and Associated Companies**

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

### **Other Arrangements**

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

## **56. BOLSOVER, CHESTERFIELD & NORTH EAST DERBYSHIRE DISTRICT COUNCILS 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 £50,000.00 (£115,096 in 2013/14).

The Council's proportion of the consortium's net surplus at the 31<sup>st</sup> March 2015 is £18,065 (£41,584 at 31<sup>st</sup> March 2014).

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

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

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

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

The following percentages have been applied:

Year	Chesterfield Borough Council	North East Derbyshire District Council	Bolsover District Council
2014/15	55%	31%	14%
2013/14	55%	31%	14%

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

### Income & Expenditure Account

2013/14 Net Expenditure £000		2014/15		
		Expenditure £000	Income £000	Net Expenditure £000
(133)	Environmental	818	(798)	20
(133)	<b>Net Cost of Service</b>	<b>818</b>	<b>(798)</b>	<b>20</b>

### Balance Sheet

2013/14 £000		2014/15 £000
	<u>Long Term Assets</u>	
1,268	Other Land & Buildings	1,248
2	Vehicles, Plant, Furniture & Equipment	1
21	Assets under Construction	-
138	Investment Properties	138
	<u>Current Assets</u>	
1	Stock	1
51	Debtors	91
702	Cash	940
	<u>Current Liabilities</u>	
(109)	Creditors	(84)
	<u>Long Term Liabilities</u>	
680	Pension Scheme Assets	752
(1,005)	Pension Scheme Liabilities	(1,121)
<b>1,749</b>	<b>Net Assets</b>	<b>1,966</b>
201	Revaluation Reserve	194
1,211	Capital Adjustment Account	1,177
(325)	Pensions Reserve	(369)
361	Earmarked Reserves	696
301	Balances – Revenue Surplus	268
<b>1,749</b>	<b>Total Reserves</b>	<b>1,966</b>

## 58. 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
2014/15	(3)	5	67
2013/14	(3)	4	67

## 59. THE ARVATO PARTNERSHIP

2014/15 is the fifth 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 2015 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2015/16	4,759
Payable within two to five years	19,030
Payable within five to ten years	2,638
<b>Total</b>	<b>26,427</b>



## 60. **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 2015. Further appeals against valuations on the 2010 valuation list may be received in future years. The value of this liability is estimated at £735,000.

### 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.

### Holiday Pay

The Employment Appeal Tribunal have recently held that non-guaranteed overtime should be included in holiday pay calculations. The case in which this decision was made is potentially subject to appeal around backdating limits. Because of this uncertainty, work has not been carried out to identify the extent of the possible liability.

## **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	2014/15 £000	2013/14 £000
<b><u>Income:</u></b>			
Dwellings Rents	1	37,330	35,365
Charges for Services and Facilities		633	640
Non-Dwelling Rents		659	664
Contribution towards Expenditure		541	516
<b>Total Income</b>		<b>39,163</b>	<b>37,185</b>
<b><u>Expenditure:</u></b>			
Supervision & Management : General		5,713	5,416
Special		2,397	2,377
Rents, Rates, Taxes & Other Charges		369	262
Repairs and Maintenance		8,416	8,783
Negative HRA Subsidy		-	-
Depreciation & Impairment of non-current assets		8,232	(4,062)
Debt Management Costs		70	58
Movement in the allowance for bad debts		442	89
<b>Total Expenditure</b>		<b>25,639</b>	<b>12,923</b>
<b>Net Expenditure/(Income) of Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(13,524)</b>	<b>(24,262)</b>
HRA share of Corporate & Democratic Core		21	25
<b>Net Expenditure/(Income) for HRA Services HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(13,503)</b>	<b>(24,237)</b>
(Gain)/Loss on Disposal of HRA non-current assets		1,108	1,007
HRA share of interest payable & similar charges		5,330	5,479
Interest & Investment Income		(178)	(39)
Share of D.L.O./D.S.O. Surplus		(100)	(500)
Change in Market Value of Investment Properties		(166)	(3,313)
Income & Expenditure re Investment Properties		(70)	(122)
Capital grants and contributions receivable		-	-
<b>(Surplus)/Deficit on HRA Services</b>		<b>(7,579)</b>	<b>(21,725)</b>

<b>Movement on the HRA Statement</b>	<b>2014/15 £000</b>	<b>2013/14 £000</b>
Balance on HRA at end of previous year	<b>(12,495)</b>	(8,276)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	<b>(7,579)</b>	(21,725)
Adjustments between accounting basis and funding basis under statute (note 10)	<b>1,988</b>	17,394
<b>Net (Increase)/Decrease before transfers to or from reserves</b>	<b>(5,591)</b>	(4,331)
Transfers to/(from) reserves	<b>60</b>	112
<b>(Increase)/decrease in year on HRA</b>	<b>(5,531)</b>	(4,219)
<b>Balance on HRA at end of current year</b>	<b>(18,026)</b>	(12,495)

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

The Council had 9,529 dwellings available for rent during 2014/15. 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, £626,531 (1.68%) of rental income was lost due to vacant properties, in 2013/14 the figure was £549,416 (1.55%). The average weekly rent in 2014/15 was £82.76 (48 week year), an increase of £4.91 (6.31%) on the previous year.

### **2. HOUSING STOCK**

The Council's housing stock at 31st March, 2015 was as follows:

	<b>31 Mar 15</b>	31 Mar 14
Houses	<b>4,868</b>	4,927
Flats & maisonettes	<b>3,255</b>	3,260
Bungalows	<b>1,394</b>	1,394
Others	<b>12</b>	11
<b>Total</b>	<b>9,529</b>	9,592

The number of properties sold under the 'Right to Buy' legislation in 2014/15 was 67 (49 in 2013/14).

### **3. RENT ARREARS**

Rent arrears at the year end totalled £2,307,064. This compares with £2,131,078 at 31st March, 2014. A provision of £914,603 (£743,703 in 2013/14) 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 2015 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 2014 excludes depreciation and disposals over the period.

<b>Balance Sheet Valuations of HRA Assets</b>		
	<b>As at 31<sup>st</sup> March 2015 £000</b>	<b>As at 31<sup>st</sup> March 2014 £000</b>
Council Dwellings	<b>269,689</b>	265,915
Other Land & Buildings	<b>2,758</b>	2,914
Vehicles, Plant, Furniture & Equipment	<b>40</b>	63
Assets Under Construction	<b>1,512</b>	585
Surplus Assets Not Held for Sale	<b>1,108</b>	1,245
Investment Properties	<b>4,676</b>	4,796
Investment Property Held for Sale	<b>225</b>	-
Other Assets Held for Sale	<b>-</b>	-
<b>Total</b>	<b>280,008</b>	275,518

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 EUV-SH is therefore less than the 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, 2014 was £782m (£742m 1<sup>st</sup> April 2013). 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 Open Market Value (OMV) of the stock to Existing Use Value – Social Housing (EUV-SH) for inclusion in the balance sheet was reduced from 50% to 34% with effect from 1<sup>st</sup> April, 2010.

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

<b>Capital Expenditure</b>		<b>Capital Financing</b>	
	<b>£000</b>		<b>£000</b>
Council Dwellings	14,279	Borrowing	-
Assets Under Construction	1,144	Capital Receipts Reserve	2,167
Vehicles, Plant, Machinery & Equipment	-	Major Repairs Reserve	7,236
		Grants & Contributions	6,020
		Revenue Balances & Direct Revenue Financing	-
<b>Total</b>	<b>15,423</b>		<b>15,423</b>

## 6. HRA CAPITAL RECEIPTS

<b>HRA Capital Receipts</b>	<b>2014/15 £000</b>	2013/14 £000
Council Dwellings	<b>3,036</b>	2,267
Other Land & Property	<b>233</b>	-
<b>Total</b>	<b>3,269</b>	2,267

## 7. DEPRECIATION

<b>HRA Depreciation</b>	<b>2014/15 £000</b>	2013/14 £000
Council Dwellings	<b>7,072</b>	6,710
Other Land and Buildings	<b>88</b>	88
Surplus Assets Not Held for Sale	<b>1</b>	1
Vehicles, Plant, Furniture and Equipment	<b>22</b>	19
<b>Total</b>	<b>7,183</b>	6,818

## 8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

The following revaluation/impairment losses (or reversals of past revaluation/impairment losses) together with amounts in respect of Revenue Expenditure Funded From Capital Under Statute (REFCUS) 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>2014/15 £000</b>	2013/14 £000
Council Dwellings	<b>1,049</b>	(10,880)
Other Land and Buildings	-	-
Surplus Assets Not Held for Sale	-	-
<b>Revaluation and Impairment Losses</b>	<b>1,049</b>	(10,880)
Movements in the fair value of investment property	<b>(167)</b>	(3,314)
<b>Total</b>	<b>882</b>	(14,194)

## 9. MAJOR REPAIRS RESERVE

<b>Major Repairs Reserve</b>	<b>2014/15 £000</b>	2013/14 £000
Balance brought forward at 1 <sup>st</sup> April	<b>66</b>	-
Depreciation	<b>7,183</b>	6,818
Transfers in	<b>2,266</b>	2,330
Debits in respect of capital expenditure	<b>(7,236)</b>	(9,082)
<b>Balance Carried Forward</b>	<b>2,279</b>	66

## 10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

	<b>2014/15 £000</b>	2013/14 £000
Net gain/(loss) on sale of HRA non-current assets	<b>(1,108)</b>	(1,007)
HRA share of contributions to or from the Pensions Reserve	<b>(392)</b>	(245)
Capital expenditure funded by the HRA	-	34
Transfer to/(from) Major Repairs Reserve	<b>2,266</b>	2,330
Movement in Market Value of Investment Properties (note 8)	<b>167</b>	3,314
Transfer to/(from) Capital Adjustment Account (note 8)	<b>(1,049)</b>	10,880
Voluntary Repayment of Debt	<b>2,108</b>	2,140
Short Term Accumulated Absences	<b>(4)</b>	(52)
<b>Total Adjustments</b>	<b>1,988</b>	17,394



## 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.

2013/14		2014/15		
Total £000		Business Rates £000	Council Tax £000	Total £000
	<b><u>Income</u></b>			
(40,572)	Council Tax (Note 1)	-	(41,838)	(41,838)
(35,925)	Business Rates (Note 2)	(35,210)	-	(35,210)
(76,497)		(35,210)	(41,838)	(77,048)
	<b><u>Expenditure</u></b>			
	<b>Apportionment of Previous Year Surplus/(Deficit)</b>			
-	Central Government	58	-	58
(12)	Chesterfield Borough Council	46	25	71
(83)	Derbyshire County Council	10	172	182
(5)	Derbyshire Fire Authority	1	11	12
(12)	Derbyshire Police & Crime Commissioner	-	26	26
(112)		115	234	349
	<b>Precepts, Demands &amp; Shares</b>			
17,171	Central Government	17,889	-	17,889
17,976	Chesterfield Borough Council	14,312	4,320	18,632
32,342	Derbyshire County Council	3,220	30,175	33,395
2,167	Derbyshire Fire Authority	358	1,880	2,238
4,533	Derbyshire Police & Crime Commissioner	-	4,675	4,675
74,189		35,779	41,050	76,829
	<b>Charges to Collection Fund</b>			
207	Transitional Protection Payments	(207)	-	(207)
563	Increase/(Decrease) in bad debt provision (Note 5)	394	254	648
1,715	Increase/(Decrease) in provision for appeals (Note 6)	2,804	-	2,804
220	Business Rate Deferrals	(156)	-	(156)
165	Cost of Collection Allowance	166	-	166
<b>450</b>	<b>(Surplus)/Deficit arising during year</b>	<b>3,685</b>	<b>(300)</b>	<b>3,385</b>
<b>233</b>	<b>(Surplus)/Deficit Brought Forward</b>	<b>1,104</b>	<b>(421)</b>	<b>683</b>
<b>683</b>	<b>(Surplus)/Deficit as at 31<sup>st</sup> March (Notes 3 &amp; 4)</b>	<b>4,789</b>	<b>(721)</b>	<b>4,068</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	33	5/9	18
A	16,076	6/9	10,718
B	8,056	7/9	6,266
C	5,236	8/9	4,654
D	3,304	9/9	3,304
E	1,621	11/9	1,981
F	496	13/9	717
G	187	15/9	312
H	13	18/9	26
Totals	35,022		27,996
Less adjustment for collection rate			(532)
<b>Council Tax Base</b>			<b>27,464</b>

The basic amount of Council Tax for a Band D property was £1,482.27 (£1,456.23 2013/14).

#### 2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (48.2p in 2014/15 and 47.1p in 2013/14) 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 47.1p for 2014/15 (46.2p in 2013/14).

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 2015 was £89,704,561 (£88,670,629 as 31<sup>st</sup> March 2014).

### 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 £664,798 was assumed when setting the Council Tax for 2015/16. The additional surplus of £56,375 will be recovered in the tax calculation for 2016/17.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31<sup>ST</sup> MARCH</b>		
	2015 £000	2014 £000
Derbyshire County Council	531	309
Derbyshire Police & Crime Commissioner	82	48
Derbyshire Fire Authority	33	19
<b>Chesterfield Borough Council</b>	75	45
Council Tax (Deficit)/Surplus	721	421

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 2016/17 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 £1,872,931 was assumed in the calculation of business rate income in 15/16. The additional deficit of £2,916,318 will be recovered in the income calculation for 2016/17.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31<sup>ST</sup> MARCH</b>		
	Proportionate Share	2015 £000
Derbyshire County Council	9%	(431)
Derbyshire Fire Authority	1%	(48)
Central Government	50%	(2,394)
<b>Chesterfield Borough Council</b>	<b>40%</b>	<b>(1,916)</b>
Council Tax (Deficit)/Surplus	100%	(4,789)

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

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

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

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

The movements on the impairment provisions are shown below:

<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	736	(309)	394	821
Council Tax	2,090	(158)	254	2,186
<b>Total</b>	2,826	(467)	648	3,007

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

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

The movements on the appeals provision are shown below:

<b>COLLECTION FUND – APPEALS PROVISION</b>			
Brought Forward	Applied in year	Contribution to provision in year	Carried Forward
£000	£000	£000	£000
1,715	(520)	3,324	4,519

## 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 £340,460 parish precepts (Staveley £294,226 and Brimington £46,234).

## **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 2015 on pages 17 to 100. 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 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. 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 Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they 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 Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword 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 2015 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 11 to 16 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword 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 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

## **Conclusion on Chesterfield Borough Council's arrangements for securing economy, efficiency and effectiveness in the 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 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority 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 on the specified criteria published by the Audit Commission in October 2014, 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 ending 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the financial statements of Chesterfield Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Sue Sunderland  
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants  
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NG1 6FQ

28 September 2015