



**CHESTERFIELD**  
BOROUGH COUNCIL



# Statement of Accounts 2019/20

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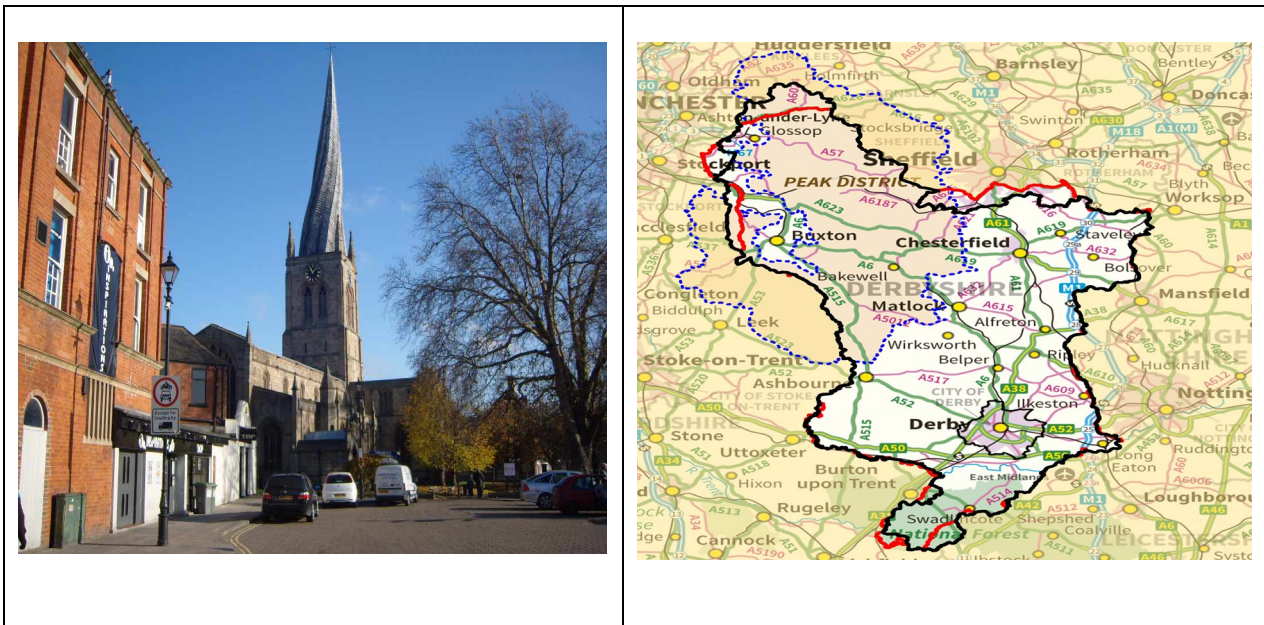
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# NARRATIVE REPORT

## AN INTRODUCTION TO CHESTERFIELD BOROUGH COUNCIL

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

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



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

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

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

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

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

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

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

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

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

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

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

## **NON-FINANCIAL PERFORMANCE**

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

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

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

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

## **Council Plan 2019 – 2023**

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

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

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

## **Council Plan 2019/20 Progress**

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

Key outputs and outcomes for 2019/20 include:

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

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

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

### **Performance Management Framework**

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

## **FINANCIAL PERFORMANCE 2019/20**

### **Budget Process**

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



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

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

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

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

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

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

### **Revenue Budget Outturn**

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

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

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

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

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

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

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

### **Housing Revenue Account**

The Council continues to be the major provider of rental accommodation in the Borough, with 9,008 dwellings. All income and expenditure relating to the landlord function of providing council housing must be accounted for within a ring-fenced account called the Housing Revenue Account (HRA). The ring-fencing means that the account cannot be used to subsidise other Council activities and similarly other activities cannot be used to subsidise the HRA.

The HRA for 2019/20 is set out on pages 104 to 110 and shows a decrease to the HRA balance of £4,503,334 due mainly to funding of the capital programme from revenue.



## **Direct Service Organisations**

Although the Compulsory Competitive Tendering legislation ceased to apply from April 2000 the Council has continued to run its direct service operations under previously agreed contract arrangements. The Council operated four Direct Service Organisations (DSOs) during 2019/20 which generated a combined surplus of £1,571,356.

## **Capital Spending in 2019/20**

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

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

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

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

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

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

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

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

## **Pension Costs**

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

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

## **Treasury Management**

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

## **Reserves & Balances**

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

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

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

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

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

## **Medium Term Outlook**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Corporate Risks and Uncertainties**

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

## **Summary**

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

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

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

## **Covid19**

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

### **Provision of Services**

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

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

## **Workforce**

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

## **Supply Chains**

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

## **Financial Position**

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

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

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

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

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

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

## **Cash Flow Management**

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

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

### **Major Risks to the Council**

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

### **Plans for Recovery**

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

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

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

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

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

### **Further Information**

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

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



**H FOX CPFA  
CHIEF FINANCE OFFICER**



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

## **INTRODUCTION TO THE STATEMENTS**

The Statement of Accounts is prepared using the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which defines proper accounting practices for local authorities in England. The pages that follow are the Council's final accounts for 2019/20 and comprise:

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

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

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

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

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

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

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

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



## RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required

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

### The Chief Finance Officer Responsibilities

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

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31st March 2020.



**H FOX CPFA  
CHIEF FINANCE OFFICER**

**26 November 2020**

# **ANNUAL GOVERNANCE STATEMENT**

## **Scope of Responsibility**

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

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

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

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

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

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

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

## **The Governance Framework**

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

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

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

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

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

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

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

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

## COVID-19

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

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

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

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

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

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

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

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

## **Governance Arrangements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Review of Effectiveness**

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

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

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

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

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

### **Internal Audit Opinion 2019/20**

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

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

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

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



## A Review of 2018/19 Governance Issues

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

## Significant Governance Issues

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

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

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

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

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

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

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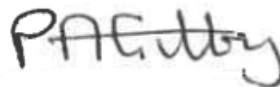
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified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

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

**Signed:**



H Bowen  
Chief Executive



Councillor T Gilby  
Leader of Chesterfield Borough Council

**Date:** 26 November 2020

## MOVEMENT IN RESERVES STATEMENT

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

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

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

## MOVEMENT IN RESERVES STATEMENT

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

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

The Statement has two sections.

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

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

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

(Restated) - The 2018/19 Cost of General Fund Services comparators have been restated to reflect the 2019/20 changes within the Portfolios' service responsibilities. The Net Cost of General fund Services and the other prior year figures under other headings are unchanged.



## **BALANCE SHEET**

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

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

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

**BALANCE SHEET AS AT 31ST MARCH 2020**

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

2018/19 £000		2019/20 £000
(2,950)	Net (surplus)/deficit on provision of services	11,146
(21,679)	Adjustments to net (surplus)/deficit on provision of services for non-cash movements (Note 47)	(29,151)
9,376	Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities (Note 48)	7,208
(15,253)	Net cash flows from Operating Activities (Note 49)	(10,797)
19,303	Investing Activities (Note 50)	19,684
2,087	Financing Activities (Note 51)	(1,481)
<b>6,137</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>7,406</b>
(26,122)	Cash and cash equivalents at beginning of reporting period	(19,985)
<b>(19,985)</b>	<b>Cash and cash equivalents at end of reporting period (Note 31)</b>	<b>(12,579)</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 2019/20 financial year and its position at the year end 31<sup>st</sup> March 2020.

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

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

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

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

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

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

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

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

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

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

#### **1.4 INTERNAL INTEREST**

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

#### **1.5 OVERHEADS**

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

#### **1.6 EMPLOYEE BENEFITS**

##### Benefits Payable During Employment

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

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

##### Termination Benefits

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

##### Post Employment Benefits

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

##### The Local Government Pension Scheme

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

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

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

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

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

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

## **1.7 REVENUE RECOGNITION**

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

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

## **1.8 VALUE ADDED TAX**

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

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

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

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

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

## **1.10 INVENTORIES**

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

## **1.11 RESERVES**

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

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



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

### **1.12 PROVISIONS**

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

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

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

### **1.13 INVESTMENT PROPERTY**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

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

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

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

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

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

### **Disposals**

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

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

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

## **1.15 DEPRECIATION & IMPAIRMENT**

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

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

Depreciation charges are calculated as follows:

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

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

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

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

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

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

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

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

## **1.16 HERITAGE ASSETS**

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

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

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

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

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

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

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

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

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

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

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

### **1.19 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

### Community Infrastructure Levy

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

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

## **1.20 LEASES**

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

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

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

### Finance Leases

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

## Operating Leases

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

## The Authority as Lessor

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

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

## 1.21 **FINANCIAL INSTRUMENTS**

### Financial Liabilities

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

### Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

There were no group accounts identified for 2019/20.

### **1.23 JOINTLY CONTROLLED OPERATIONS**

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

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

### **1.24 CONTINGENT ASSETS/LIABILITIES**

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

### **1.25 PRIOR PERIOD ADJUSTMENTS**

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

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

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

### **1.26 PRIVATE PUBLIC PARTNERSHIP**

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

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

### **1.27 FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

The relevant standards introduced are:

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

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

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

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant

factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31<sup>st</sup> March 2020, for which there is a significant risk of material adjustment in the forthcoming year are as follows:

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

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

### Impact of Covid19

The Coronavirus pandemic has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The land and building and investment property valuations included in the balance sheet and disclosed at notes 20 and 25 have therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

The Council's net pension liability included in our balance sheet and disclosed at note 16 includes an estimate of the total value of the Council's share of the Derbyshire Pension Fund investment assets. The valuation of the Fund's Property investment assets has been impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the Council's share of these Pension Fund assets. The Council's actuary has estimated that the value of the Council's share of these Pension Fund Property investment assets at 31 March 2020 was £16.3m.

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

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

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

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

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

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

**7. EXPENDITURE AND FUNDING ANALYSIS**

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

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

## Expenditure & Funding Analysis

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

(Restated) - The 2018/19 Cost of General Fund Services comparators have been restated to reflect the 2019/20 changes within the Portfolios' service responsibilities. The Net Cost of General fund Services and the other prior year figures under other headings are unchanged.

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

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

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

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

#### Adjustments for Capital Purposes

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

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



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

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

#### Net Change for Pension Adjustments

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

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

#### Other Differences

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

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

## **8. SEGMENTAL INCOME**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 11. TRANSFERS TO/FROM EARMARKED RESERVES

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

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

**12. OTHER OPERATING EXPENDITURE**

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

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

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

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

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



## 15. OFFICERS' REMUNERATION

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

Remuneration Band	No. of Employees	
	2019/20	2018/19
£50,000 - £54,999	6	1
£55,000 - £59,999	1	3
£60,000 - £64,999	3	-
£65,000 - £69,999	4	4
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-

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

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

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

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

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

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

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

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

### Participation in Pension Scheme

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

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

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

## Transactions Relating to Post-employment Benefits

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

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

<b>Movement in Reserves Statement</b>		
▪ Reversal of net charges made to Surplus/Deficit on Provision of Services for post employment benefits in accordance with the Code	<b>(12,196)</b>	(9,077)
Actual amount charged against General fund Balance for pensions in year		
▪ Employers' contributions payable to scheme	<b>5,086</b>	4,842

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

#### Reconciliation of Present Value of Scheme Liabilities

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

## Local Government Pension Scheme Assets

	<b>Fair Value of Scheme Assets</b>							
	<b>2019/20</b>				<b>2018/19</b>			
	<b>Quoted prices in active markets £000</b>	<b>Quoted prices not in active markets £000</b>	<b>Total £000</b>	<b>% of Total Assets</b>	<b>Quoted prices in active markets £000</b>	<b>Quoted prices not in active markets £000</b>	<b>Total £000</b>	<b>% of Total Assets</b>
<b>Cash &amp; cash equivalents</b>		11,831	<b>11,831</b>	6%	-	14,602	14,602	8%
<b>Equity Securities</b>								
▪ Consumer	5,061		<b>5,061</b>	3%	11,166	-	11,166	6%
▪ Manufacturing	2,894		<b>2,894</b>	2%	11,600	-	11,600	6%
▪ Energy & utilities	1,359		<b>1,359</b>	1%	8,125	-	8,125	4%
institutions	2,043		<b>2,043</b>	1%	8,951	-	8,951	5%
institutions								
▪ Health & care	2,920		<b>2,920</b>	1%	5,824	-	5,824	3%
▪ Information technology	4,348		<b>4,348</b>	2%	4,391	-	4,391	2%
▪ Other	15,386		<b>15,386</b>	8%	19,646	-	19,646	11%
Sub-total Equity	34,011	-	<b>34,011</b>	18%	69,703	-	69,703	37%
<b>Debt Securities</b>								
▪ Corporate		23,486	<b>23,486</b>	13%	-	19,386	19,386	11%
▪ UK Government	18,439		<b>18,439</b>	10%	17,125	-	17,125	9%
▪ Other	4,644		<b>4,644</b>	2%	3,578	-	3,578	2%
Sub-total Debt	23,083	23,486	<b>46,569</b>	25%	20,703	19,386	40,089	22%
<b>Property</b>								
▪ UK Property		16,311	<b>16,311</b>	10%	-	14,662	14,662	8%
<b>Private Equity</b>								
▪ All	2,198	3,993	<b>6,191</b>	3%	2,563	2,455	5,018	3%
<b>Investment Funds &amp; Unit Trusts</b>								
▪ Equities	56,928		<b>56,928</b>	31%	32,376	-	32,376	18%
▪ Infrastructure	3,104	10,648	<b>13,752</b>	7%	2,898	4,462	7,360	4%
Sub-total Investment Funds & Unit Trusts	60,032	10,648	<b>70,680</b>	38%	35,274	4,462	39,736	22%
<b>Total Assets</b>	<b>119,324</b>	<b>66,269</b>	<b>185,593</b>	<b>100%</b>	<b>128,243</b>	<b>55,567</b>	<b>183,810</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31<sup>st</sup> March 2019.

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

The significant assumptions used by the actuary are:

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

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

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

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

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

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

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2020/21 is £5.046m.

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

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

## 17. **MEMBERS' ALLOWANCES**

The allowances and expenses paid to Members were as follows:

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

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

## 18. **GRANT INCOME**

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

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

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

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

## 19. EXTERNAL AUDIT COSTS

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

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



## 20. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

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

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

### Depreciation

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

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

## 21. SURPLUS ASSETS

### Fair Value Hierarchy

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

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

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

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

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

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

These valuations are historic based on existing use values and/or based on unobservable inputs. These assets will be revalued in 2020/21 to allow confirmation of their fair value hierarchy classifications.

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

Surplus Assets categorised as Level 3	31st March 2020 £000	31st March 2019 £000
Opening balance	803	1,747
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in surplus/deficit on Provision of Services resulting from changes in fair value	-	(944)
Additions	522	-
Revaluations	-	-
Disposals	-	-
<b>Closing Balance</b>	<b>1,325</b>	<b>803</b>

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

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

## 22. HERITAGE ASSETS

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

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

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

## Assets not included in the Balance Sheet

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

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

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

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

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

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

## Assets included in the Balance Sheet

### Historic Buildings

There are three assets included in this classification. These are the Barrow Hill Railway Heritage Centre which hosts Britain’s last working roundhouse, the Revolution House which is an old stone cottage used as a museum, originally an alehouse used

to plot the Revolution of 1688 and the Queens Park dovecote which is located in the Victorian park in the centre of Chesterfield. No further acquisitions or disposals are expected in this classification of heritage assets. All of these assets can be visited by the public and further information is available on the Council's website.

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

#### War Memorials/Monuments

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

#### Rosewall Sculpture

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

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

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

#### Museum Collection

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

### **23. CAPITAL COMMITMENTS**

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

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

## 24. CAPITAL EXPENDITURE & FINANCING

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

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

## 25. INVESTMENT PROPERTIES

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

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

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

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

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

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



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

### Fair Value Hierarchy

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

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

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

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

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

### Significant Observable Inputs – Level 2

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

### Significant Unobservable Inputs – Level 3

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

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

<b>Investment Properties categorised as Level 3</b>	<b>31st March 2020 £000</b>	<b>31st March 2019 £000</b>
Opening Balance	645	638
Transfers into Level 3	-	-
Transfers from Level 3	-	-
Total gains/losses for the period included in surplus/deficit on Provision of Services resulting from changes in fair value	34	7
Additions	-	-
Revaluations	-	-
Disposals	-	-
<b>Closing Balance</b>	<b>679</b>	<b>645</b>

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

	31st March 2020 £000	Valuation Technique	Unobservable Inputs	Sensitivity
Undeveloped Land	489	Assumed investment (fair value basis)	Rent details Rent comparables	Tenancy details Rent levels Rent reviews
Farm	190	Assumed investment (fair value basis)	Rent details Rent comparables	Rent level being known/eligible successor/prospect of vacant possession

### Highest and Best Use of Investment Properties

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

### Valuation Techniques

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

## Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out by Kier, the Council's Asset Management partner, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. Further information on the impact of Covid-19 on the valuation process is included at Note 4.

## **26. FIXED ASSET VALUATION**

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

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

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

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

Except for those dwellings which the Authority leases out to other providers of social housing and a small number of impaired properties, the stock of council dwellings was re-valued as at 31<sup>st</sup> March 2020 in accordance with Government guidelines. The basis of the valuation for the bulk of the housing stock within the HRA is Existing Use Value for Social Housing (see HRA note 4).

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

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

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

## 27. DEPRECIATION

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

## 28. IMPAIRMENT LOSSES

No impairment losses were recognised in either Surplus or Deficit on the Provision of Services or in Other Comprehensive Income & Expenditure during 2019/20.

## 29. LEASES

### Authority as Lessee

#### Finance Leases

The Authority has no finance leases.

#### Operating Leases

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

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

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

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

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

### Authority as Lessor

#### Finance Leases

The Authority has no finance leases.

#### Operating Leases

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

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

	31st March	
	2020 £000	2019 £000
Not later than 1 year	2,153	2,109
Later than 1 year and not later than 5 years	4,075	3,878
Later than 5 years	3,438	3,396
<b>Total</b>	<b>9,666</b>	<b>9,383</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 2019/20, £194,519 contingent rents were receivable by the Authority (2018/19 £210,720).

**30. DEBTORS**

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

**31. CASH & CASH EQUIVALENTS**

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

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

### 32. ASSETS HELD FOR SALE

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

### 33. CREDITORS

	31st March	
	2020 £000	2019 £000
Central Government	6,727	902
Other Local Authorities	2,806	3,615
Public Works Loan Board	-	3,857
Other Entities & Individuals	7,326	9,405
<b>Total</b>	<b>16,859</b>	<b>17,779</b>

### 34. PROVISIONS

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

	Balance b/fwd 01/04/19 £000	Movements in year		Balance c/fwd 31/03/20 £000
		Additions £000	Applied £000	
<b>Short Term Provisions</b>				
Non Domestic Rate Appeals	826	9	(165)	670
DLO Provision	602	589	(402)	789
Redundancy Provision	55	-	(55)	-
<b>Total - Short Term Provisions</b>	<b>1,483</b>	<b>598</b>	<b>(622)</b>	<b>1,459</b>
<b>Long Term Provisions</b>				
Non Domestic Rate Appeals	1,538	487	(254)	1,771
Transport Employee Pensions	1,025	67	(51)	1,041
Insurance Provision	807	260	(557)	510
MMI Provision	16	-	(10)	6
Other	7	-	-	7
<b>Total - Long Term Provisions</b>	<b>3,393</b>	<b>814</b>	<b>(872)</b>	<b>3,335</b>

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

Provision for potential future remedial works and losses.

### **Redundancy Provision**

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

### **Transport Employee Pensions**

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

### **Insurance Provision**

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

### **MMI Provision**

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



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

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

As at the 31<sup>st</sup> March 2020 the Council's claims paid and outstanding with MMI totalled £1.4m. The Council has been advised that it will be liable to pay 25% of these claims and an appropriate provision has therefore been included in the accounts.

### Non Domestic Rate Appeals

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

## 35. FINANCIAL INSTRUMENTS BALANCES

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

Financial Assets	Long Term				Current			
	Investments		Debtors		Investments		Debtors	
	31st March				31st March			
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Fair value through profit or loss		-	-	-	14,129	19,467		-
Amortised cost	168	150		-	28,162	28,628	6,806	6,064
<b>Total financial assets</b>	<b>168</b>	<b>150</b>	-	-	<b>42,291</b>	<b>48,095</b>	<b>6,806</b>	<b>6,064</b>
Non-financial assets		-		-		-	3,562	4,352
<b>Total</b>	<b>168</b>	<b>150</b>	-	-	<b>42,291</b>	<b>48,095</b>	<b>10,368</b>	<b>10,416</b>

Financial Liabilities	Long Term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31st March				31st March			
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Fair value through profit or loss		-	-	-		-		-
Amortised cost	125,380	127,348		-	3,534	2,498	8,763	14,288
<b>Total financial assets</b>	<b>125,380</b>	<b>127,348</b>	-	-	<b>3,534</b>	<b>2,498</b>	<b>8,763</b>	<b>14,288</b>
Non-financial assets		-		-		-	8,097	3,491
<b>Total</b>	<b>125,380</b>	<b>127,348</b>	-	-	<b>3,534</b>	<b>2,498</b>	<b>16,860</b>	<b>17,779</b>

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

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

	2019/20		2018/19	
	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000	Surplus/(Deficit) on Provision of Services £000	Other Comprehensive Income & Expenditure £000
<b>Net gains/losses on:</b>				
Financial assets measured at fair value through profit or loss	(125)	-	(98)	-
Financial assets measured at amortised cost				
<b>Total net gains/losses</b>	<b>(125)</b>	<b>-</b>	<b>(98)</b>	<b>-</b>
<b>Interest revenue</b>				
Financial assets measured at amortised cost	(305)		(284)	-
Financial assets measured at fair value through other comprehensive income	-	-	(36)	-
<b>Total interest revenue</b>	<b>(430)</b>	<b>-</b>	<b>(418)</b>	<b>-</b>
<b>Total interest expense</b>	<b>4,947</b>	<b>-</b>	<b>5,035</b>	<b>-</b>

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Fair Value of Financial Assets

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique	Value as at 31/03/20 £000	Value as at 31/03/19 £000
<b>Fair Value through Profit or Loss</b>				
UK Gilt	Level 1	Unadjusted quoted prices in active markets	-	-
Money Market Funds	Level 1	Unadjusted quoted prices in active markets	14,129	19,467
Certificate of Deposits	Level 1	Unadjusted quoted prices in active markets	-	-
<b>Total</b>			<b>14,129</b>	<b>19,467</b>

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

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

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

Financial Liabilities	31st March 2020		31st March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	128,914	158,155	129,846	158,342

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

Financial Assets	31st March 2020		31st March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans & Receivables held at amortised cost	28,329	28,329	28,778	28,778

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

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

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

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

Recurring fair value measurements:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 19 £000
<b>Financial Liabilities</b>			
PWLB Loans	-	157,836	157,836
<b>Total 2018/19</b>	-	<b>157,836</b>	<b>157,836</b>

For the remaining £1.6m of financial liabilities, the carrying value has been used as a proxy for fair value.

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

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

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

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

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

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

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

#### Credit Risk

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

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

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

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating at 31<sup>st</sup> March 2020:

Credit Rating	Gross Carrying Amount £000
AAA	14,129
AA	0
AA-	0
A+	0
Unrated Local Authorities	28,000

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. At 31<sup>st</sup> March there were no loss allowances related to treasury investments (2019 £2,768).

The authority does not generally allow credit for customers, such that £2.149m (£1.494m in 2018/19) of the £3.753m (£2.422m in 2018/19) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2020 £000	31st March 2019 £000
Less than three months	628	331
Three to six months	175	103
Six months to one year	361	327
More than one year	985	733
<b>Total</b>	<b>2,149</b>	1,494

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public

Works Loan Board (PWLB) so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 5% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities is as follows:

Maturing within	31st March 2020 £000	31st March 2019 £000
1 year	3,534	2,498
1 to 2 years	1,891	1,919
2 to 5 years	8,501	7,910
5 to 10 years	13,793	13,424
10 to 15 years	20,995	18,895
15 to 20 years	24,400	24,600
20 to 25 years	20,000	21,400
25 to 30 years	17,000	17,000
30 to 35 years	10,400	12,600
35 to 40 years	6,000	6,000
40 to 45 years	2,400	3,600
45 to 50 years	-	-
<b>Total</b>	<b>128,914</b>	<b>129,846</b>

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

### Market Risk

#### Interest Rate Risk

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

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

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

fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income & Expenditure.

The authority has a number of strategies for managing interest rate risk. For 2019/20, the upper limit for exposure to variable rate debt was set at £60m (£60m in 2018/19).

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

At 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2019/20 £000
Increase in interest receivable on variable rate investments	(17)
Decrease in fair value of investments held at FVPL	-
Impact on other Comprehensive Income & Expenditure	(17)
Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure)	19,930
Decrease in fair value of loans and investments at amortised cost (no impact on Comprehensive Income & Expenditure)	56

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

### Price Risk

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

### Foreign Exchange Risk

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

### 39. USABLE RESERVES

	31st March	
	2020 £000	2019 £000
Earmarked Reserves - Capital	1,761	1,523
Earmarked Reserves - Revenue	10,846	9,904
Total Earmarked Reserves (GF)	12,607	11,427
General Fund (GF) Working Balance	1,500	1,500
HRA Working Balance	24,734	29,237
Earmarked Reserves - HRA	44	140
Usable Capital Receipts Reserve	4,093	5,255
Capital Grants Unapplied	4,255	3,217
<b>Total Usable Reserves</b>	<b>47,233</b>	<b>50,776</b>

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

<u>Usable Capital Receipts Reserve</u>	2019/20 £000	2018/19 £000
<b>Brought forward 1 April</b>	<b>5,255</b>	4,703
Additions	4,244	6,785
Capital Receipts Pooled	(925)	(925)
Capital Receipts returned to Government	(270)	-
Capital Receipts used for financing	(4,211)	(5,308)
<b>Carried forward 31 March</b>	<b>4,093</b>	5,255



<b>Capital Grants Unapplied</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>
<b>Brought forward 1 April</b>	<b>3,217</b>	6,612
Additions	<b>2,173</b>	569
Transfers (to)/from revenue	-	(138)
Financing of capital expenditure	<b>(1,135)</b>	(3,826)
<b>Carried forward 31 March</b>	<b>4,255</b>	3,217

#### 40. **UNUSABLE RESERVES**

	<b>31st March</b>	
	<b>2020 £000</b>	<b>2019 £000</b>
Revaluation Reserve	<b>30,936</b>	29,667
Capital Adjustment Account	<b>306,081</b>	305,991
Financial Instruments Adjustment Account	<b>(16)</b>	(24)
Pensions Reserve	<b>(61,373)</b>	(80,422)
Deferred Capital Receipts Reserve	<b>674</b>	680
Collection Fund Adjustment Account	<b>462</b>	(645)
Accumulated Absences Account	<b>(313)</b>	(299)
<b>Total Unusable Reserves</b>	<b>276,451</b>	254,948

#### 41. **REVALUATION RESERVE**

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

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

The Reserve contains only revaluation gains accumulated since 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.

	2019/20 £000	2018/19 £000
Balance brought forward 1st April	29,667	27,188
Revaluation gains	3,421	4,804
Revaluation & impairment losses	(473)	(569)
Amounts t/f to Cap Adj Account (Depreciation)	(1,568)	(1,452)
Amounts t/f to Cap Adj Account (Disposals)	(111)	(304)
<b>Balance carried forward 31st March</b>	<b>30,936</b>	29,667

#### 42. CAPITAL ADJUSTMENT ACCOUNT

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

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

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

	2019/20 £000	2018/19 £000
<b>Balance brought forward 1st April</b>	<b>305,991</b>	297,762
<b><u>Reversal of items recognised in the Comprehensive Income &amp; Expenditure Statement</u></b>		
Property, Plant & Equipment: depreciation charges	(11,454)	(11,341)
Property, Plant & Equipment: net revaluation gains/(losses)	(4,189)	(2,666)
Intangible Assets: amortisation charges	(114)	(126)
Revenue expenditure funded from capital under statute	(671)	(1,363)
Disposal/derecognition of non-current assets	(6,591)	(8,765)
Gain/(loss) in fair value of investment properties	(3,545)	2,775
<b><u>Amounts transferred from the Revaluation Reserve</u></b>		
Depreciation adjustment	1,568	1,452
Disposal/derecognition adjustment	111	304
<b><u>Capital financing provisions</u></b>		
Application of usable capital receipts	3,812	5,308
Application of major repairs reserve	11,234	10,893
Application of revenue balances and direct revenue financing	5,807	4,197
Capital grants/contributions recognised in revenue during the period	1,925	5,332
Application of capital grants unapplied	-	7
Minimum revenue provision	2,197	2,222
<b>Balance carried forward 31st March</b>	<b>306,081</b>	305,991

#### 43. **PENSIONS RESERVE**

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

	2019/20 £000	2018/19 £000
<b>Balance brought forward 1st April</b>	<b>(80,422)</b>	(61,763)
Actual gains or losses on pensions assets and liabilities	<b>26,158</b>	(14,423)
Reversal of items relating to retirement benefits debited/credited to Surplus/Deficit on Provision of Services in Comprehensive Income & Expenditure Statement	<b>(12,195)</b>	(9,077)
Employers pension contributions	<b>5,086</b>	4,841
<b>Balance carried forward 31st March</b>	<b>(61,373)</b>	(80,422)

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

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

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

	2019/20 £000	2018/19 £000
<b>Balance brought forward 1st April</b>	<b>680</b>	171
Additions	-	513
Transfer to Capital Receipts Reserve on receipt of cash	<b>(6)</b>	(4)
<b>Balance carried forward 31st March</b>	<b>674</b>	680

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

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

	2019/20 £000	2018/19 £000
<b>Balance brought forward 1st April</b>	(645)	(1,511)
Amount by which council tax and non domestic rates income credited to Comprehensive Income & Expenditure Statement is different from council tax and non domestic rates income calculated for year in accordance with statutory requirements	1,107	866
<b>Balance carried forward 31st March</b>	<b>462</b>	<b>(645)</b>

#### 46. ACCUMULATED ABSENCES ACCOUNT

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

	2019/20 £000	2018/19 £000
<b>Balance brought forward 1st April</b>	299	295
Settlement or cancellation of accrual made at end of preceding year	(299)	(295)
Amounts accrued at end of current year	313	299
<b>Balance carried forward 31st March</b>	<b>313</b>	<b>299</b>

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

	2019/20 £000	2018/19 £000
Depreciation/Impairment	(15,757)	(14,134)
Movement in Fair Value of Investments	-	(10)
(Increase)/decrease in Creditors	2,304	798
Increase/(decrease) in Debtors	1,454	3,247
Increase/(decrease) in Stock	12	15
Movement in Pension Liability	(7,110)	(4,235)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,591)	(8,765)
Movement in Investment Property value	(3,545)	2,775
Other non-cash items charged to net surplus/deficit on provision of services	82	(1,370)
<b>Total</b>	<b>(29,151)</b>	<b>(21,679)</b>

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

	2019/20 £000	2018/19 £000
Proceeds from sale of PPE, investment properties & intangible assets	4,239	7,294
Capital grants	2,969	2,082
<b>Total</b>	<b>7,208</b>	<b>9,376</b>

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

The cash flows for operating activities include the following items:

	2019/20 £000	2018/19 £000
Interest received	(363)	(390)
Interest paid	4,907	5,040
Dividends Received	(20)	-

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

	2019/20 £000	2018/19 £000
Purchase of non-current assets	26,372	22,117
Purchase of short term and long term investments	28,000	27,500
Other payments for investing activities	87	96
Proceeds from sale of non-current assets	(4,244)	(7,299)
Proceeds from short term and long term investments	(27,500)	(21,475)
Other receipts from investing activities	(3,031)	(1,636)
<b>Net cash flows from investing activities</b>	<b>19,684</b>	<b>19,303</b>

## 51. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2019/20 £000	2018/19 £000
Repayments of short and long term borrowing	1,995	2,217
Other payments for financing activities	(3,476)	(130)
<b>Net cash flows from financing activities</b>	<b>(1,481)</b>	<b>2,087</b>

## 52. RELATED PARTY TRANSACTIONS

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

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

### Central Government

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

### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2019/20 is shown in Note 17. In addition, the Council paid grants totalling £243,544 to voluntary organisations in which 10 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion relating to the grants.

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

During 2019/20, work to the value of £29,618 was commissioned from a company in which a member of the immediate family of a council member had an interest. Contracts were entered into in full compliance with the council's standing orders.

### **Subsidiary and Associated Companies**

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

### **Other Arrangements**

The Authority is a non-constituent Council in the Sheffield City Region Combined Authority which came into being on 1<sup>st</sup> April 2014. It consists of 9 local authorities who are working together to promote strategic economic development. It was also until 31<sup>st</sup> March 2020, a partner in the Sheffield City Region Local Enterprise Partnership which has similar objectives.

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

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

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

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

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

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

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

The following percentages have been applied:

Year	Chesterfield Borough Council	North East Derbyshire District Council	Bolsover District Council
2019/20	55%	31%	14%
2018/19	55%	31%	14%

The figures below show Chesterfield Borough Council's share of the Chesterfield & District Joint Crematorium's income, expenditure, assets and liabilities included in the



Comprehensive Income & Expenditure Statement and Balance Sheet based on the split outlined above.

### Income & Expenditure Account

2018/19 Net Expenditure £000		2019/20		
		Expenditure £000	Income £000	Net Expenditure £000
(46)	Health & Wellbeing	925	(917)	8
(46)	Net Cost of Service	925	(917)	8

### Balance Sheet

2018/19 £000		2019/20 £000
	<u>Long Term Assets</u>	
1,158	Other Land & Buildings	1,108
15	Vehicles, Plant, Furniture & Equipment	25
36	Investment Properties	36
	<u>Current Assets</u>	
1	Stock	2
115	Debtors	201
1,010	Cash	1,038
	<u>Current Liabilities</u>	
(142)	Creditors	(175)
	<u>Long Term Liabilities</u>	
984	Pension Scheme Assets	1,115
(1,519)	Pension Scheme Liabilities	(1,595)
<b>1,658</b>	<b>Net Assets</b>	<b>1,755</b>
231	Revaluation Reserve	231
965	Capital Adjustment Account	924
(535)	Pensions Reserve	(480)
802	Earmarked Reserves	889
195	Balances - Revenue Surplus	191
<b>1,658</b>	<b>Total Reserves</b>	<b>1,755</b>

#### 54. THE ARVATO PARTNERSHIP

This is the final year of a ten year Public Private Partnership (PPP) contract for a range of back office services including revenues and benefits, payroll, facilities maintenance, asset management and invoice processing together with call centre and reception services.

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

As part of the agreement, the contractor undertook to make and fund improvements to the Revenues Hall in Chesterfield to create a customer service centre, at no cost to

the Council. These works were completed during 2012/13. The Revenues Hall will be returned to the Authority for no consideration at the end of the 10 year contract. The improvements have increased the value of the Revenues Hall and the resulting enhancement has been recognised on the Council's balance sheet.

The Authority makes an agreed payment each month which is increased annually each year by inflation and can be reduced if the contractor fails to achieve its key performance indicators but which is otherwise fixed. Payments remaining to be made under this contract at 31<sup>st</sup> March 2020 (excluding any estimation of inflation and performance deductions) are as follows:

	Payment for Services £000
Payable in 2020/21	3,247
<b>Total</b>	<b>3,247</b>

## 55. 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 2020. Further appeals against valuations on the 2017 valuation list may be received in future years. The value of the liability cannot be estimated for unknown claims which have not yet been received.

### Municipal Mutual Insurance

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

### Water Charges

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

As a result of this judgement it is likely that the Council is bound by the maximum charges provisions of the Water Resale Orders 2001 and 2006, it will have charged tenants sums in excess of the maximum charges and tenants will have a right to

recover overpayments of charges. No claims have been received to date. The estimated liability at 31 March 2020 for the refund of these earlier years' charges is a provision of around £0.9m. This is not regarded as material in value and the provision has not been included in the 2019/20 Financial Statements.

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

Local authorities responded swiftly to the Covid19 outbreak and continue to deliver support for residents and businesses throughout the pandemic.

The additional costs of our continuing response to the pandemic during the lockdown and recovery phases, together with the significant loss of income and slippage in the delivery of our savings action plan will have an impact on the General Fund budget for 2020/21 and beyond. A review of our current financial position and an action plan to address the consequent deficit is underway.

Further details of the Council's response and its impact are provided in the narrative report.

## **HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT**

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

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

## HOUSING REVENUE ACCOUNT (HRA) INCOME & EXPENDITURE STATEMENT

	Notes	2019/20 £000	2018/19 £000
<b><u>Income:</u></b>			
Dwellings Rents	1	35,457	35,514
Charges for Services and Facilities		422	409
Non-Dwelling Rents		796	789
Contribution towards Expenditure		524	493
<b>Total Income</b>		<b>37,199</b>	37,205
<b><u>Expenditure:</u></b>			
Supervision & Management: General		6,692	5,978
Special		2,151	2,317
Rents, Rates, Taxes & Other Charges		401	280
Repairs and Maintenance		9,436	8,321
Depreciation & Impairment of non-current assets	7 & 8	10,874	11,346
Debt Management Costs		37	45
REFCUS		-	-
Movement in the allowance for bad debts		227	(1,874)
<b>Total Expenditure</b>		<b>29,818</b>	26,413
<b>Net Expenditure/ (Income) of Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(7,381)</b>	(10,792)
HRA share of Corporate & Democratic Core		41	39
<b>Net Expenditure/ (Income) for HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(7,340)</b>	(10,753)
(Gain)/Loss on Disposal of HRA non-current assets		2,699	2,053
HRA share of interest payable & similar charges		4,790	4,860
Interest & Investment Income		(145)	(121)
Change in Market Value of Investment Properties		95	(67)
Income & Expenditure re Investment Properties		(66)	(66)
<b>(Surplus)/Deficit on HRA Services</b>		<b>33</b>	(4,094)

<b>Movement on the HRA Statement</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Balance on HRA at end of previous year	<b>(29,237)</b>	(27,417)
(Surplus)/Deficit for year on HRA Income & Expenditure Statement	<b>33</b>	(4,094)
Adjustments between accounting basis and funding basis under statute (note 9)	<b>4,568</b>	2,413
<b>Net (Increase)/Decrease before transfers to or from reserves</b>	<b>4,601</b>	(1,681)
Transfers to/(from) reserves	<b>(98)</b>	(139)
<b>(Increase)/decrease in year on HRA</b>	<b>4,503</b>	(1,820)
<b>Balance on HRA at end of current year</b>	<b>(24,734)</b>	(29,237)

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

The Council had 9,008 dwellings available for rent during 2019/20. Its activities as a housing landlord must, by law, be shown in a separate account, the Housing Revenue Account. The law prescribes what must be included in this Account and prevents transfers to or from the General Fund except in closely defined circumstances.

### **1. RENT OF DWELLINGS**

This is the total rent income collectable for the year after allowance is made for empty properties. During the year, £683,514 (1.93%) of rental income was lost due to vacant properties, in 2018/19 the figure was £537,158 (1.51%). The average weekly rent in 2019/20 was £75.83 (52 week year), a decrease of £0.60 (0.79%) on the previous year.

### **2. HOUSING STOCK**

The Council's housing stock at 31st March, 2020 was as follows:

	<b>31-Mar-20</b>	<b>31-Mar-19</b>
Houses	<b>4,472</b>	4,531
Flats & maisonettes	<b>3,103</b>	3,124
Bungalows	<b>1,393</b>	1,392
Others	<b>40</b>	42
<b>Total</b>	<b>9,008</b>	9,089

The number of properties sold under the 'Right to Buy' legislation in 2019/20 was 76 (100 in 2018/19).

### **3. RENT ARREARS**

Rent arrears at the year-end totalled £1,821,633. This compares with £1,573,067 at 31st March, 2019. A provision of £652,506 (£569,828 in 2018/19) has been made in the Balance Sheet for uncollectable housing rent debts.

### **4. VALUATION OF ASSETS**

An annual desk top review of HRA assets was undertaken as opposed to a comprehensive revaluation as at 31<sup>st</sup> March 2020 in accordance with the 'DCLG's Guidance on Stock Valuation for Resource Accounting'. The review comprised updating the valuations for residential property by applying selective indices of property prices, adjusted to reflect local market conditions in Chesterfield and comparison with valuation evidence, analysed down to estate level. The figure for 31<sup>st</sup> March 2020 excludes depreciation and disposals over the period.

<b>Balance Sheet Valuations of HRA Assets</b>		
	<b>As at 31st March 2020 £000</b>	<b>As at 31st March 2019 £000</b>
Council Dwellings	344,940	341,235
Other Land & Buildings	3,544	3,808
Vehicles, Plant, Furniture & Equipment	170	6
Assets Under Construction	5,827	3,855
Surplus Assets Not Held for Sale	791	791
Investment Property	1,109	1,107
Investment Property Held for Sale	2,500	2,597
<b>Total</b>	<b>358,881</b>	<b>353,399</b>

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

The vacant possession value of the dwellings as at 1<sup>st</sup> April, 2019 was £818m (£809m 1<sup>st</sup> April 2018). This valuation is the authority's estimate of market value assuming the property was offered on the open market with full vacant possession. The factor used to convert the OMV of the stock to EUV-SH for inclusion in the balance sheet was increased from 34% to 42% with effect from 1<sup>st</sup> April, 2016.

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

<b>Capital Expenditure</b>		<b>Capital Financing</b>	
	<b>£000</b>		<b>£000</b>
Council Dwellings	16,764	Borrowing	-
Assets Under Construction	3,108	Capital Receipts Reserve	3,026
Vehicles, Plant, Machinery & Equipment	165	Major Repairs Reserve	11,234
REFCUS	-	Grants & Contributions	19
		Revenue Balances & Direct Revenue Financing	5,758
<b>Total</b>	<b>20,037</b>		<b>20,037</b>



## 6. HRA CAPITAL RECEIPTS

HRA Capital Receipts	2019/20 £000	2018/19 £000
Council Dwellings	3,815	5,057
Other Land & Property	-	105
<b>Total</b>	<b>3,815</b>	<b>5,162</b>

## 7. DEPRECIATION

HRA Depreciation	2019/20 £000	2018/19 £000
Council Dwellings	9,027	9,024
Other Land & Property	102	107
Vehicles, Plant, Furniture and Equipment	1	2
<b>Total</b>	<b>9,130</b>	<b>9,133</b>

## 8. REFCUS, REVALUATION AND IMPAIRMENT LOSSES

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

REFCUS, Revaluation and Impairment Losses	2019/20 £000	2018/19 £000
Council Dwellings	1,744	1,322
Other Land & Buildings	-	-
Surplus Assets Not Held for Sale	-	891
<b>Revaluation and Impairment Losses</b>	<b>1,744</b>	<b>2,213</b>
REFCUS - Social Mobility Scheme	-	-
Movements in the fair value of investment property	95	(67)
<b>Total</b>	<b>1,839</b>	<b>2,146</b>

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

	2019/20 £000	2018/19 £000
Net gain/(loss) on sale of HRA non-current assets	(2,699)	(2,053)
HRA share of contributions to or from the Pensions Reserve	(706)	(453)
Capital expenditure funded by the HRA	5,758	3,324
Transfer to/(from) Major Repairs Reserve	2,104	1,760
Movement in Market Value of Investment Properties (note 8)	(95)	67
Transfer to/(from) Capital Adjustment Account (note 8)	(1,744)	(2,213)
Voluntary Repayment of Debt	1,955	1,985
Short Term Accumulated Absences	(5)	(4)
<b>Total Adjustments</b>	<b>4,568</b>	<b>2,413</b>

## COLLECTION FUND

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

2018/19		2019/20		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
	<b>Income</b>			
(49,528)	Council Tax (Note 1)		(52,524)	(52,524)
(38,781)	Business Rates (Note 2)	(38,889)		(38,889)
(88,309)		(38,889)	(52,524)	(91,413)
	<b>Expenditure</b>			
	<b>Apportionment of Previous Year Surplus/(Deficit)</b>			
(360)	Central Government	(1,590)		(1,590)
(234)	Chesterfield Borough Council	(976)	(3)	(979)
324	Derbyshire County Council	4	(20)	(16)
16	Derbyshire Fire Authority	(26)	(1)	(27)
58	Derbyshire Police & Crime Commissioner		(3)	(3)
(196)		(2,588)	(27)	(2,615)
	<b>Precepts, Demands &amp; Shares</b>			
-	Central Government	18,238		18,238
23,148	Chesterfield Borough Council	14,591	5,230	19,821
54,350	Derbyshire County Council	3,283	38,364	41,647
2,512	Derbyshire Fire Authority	365	2,210	2,575
5,541	Derbyshire Police & Crime Commissioner		6,282	6,282
85,551		36,477	52,086	88,563
	<b>Charges to Collection Fund</b>			
163	Transitional Protection Payments	233		233
(863)	Increase/(Decrease) in bad debts provision (Note 5)	319	461	780
1,276	Increase/(Decrease) in provision for appeals (Note 6)	1,374		1,374
164	Cost of Collection Allowance	164		164
(2,214)	<b>(Surplus)/Deficit arising during year</b>	(2,910)	(4)	(2,914)
3,422	<b>(Surplus)/Deficit Brought Forward</b>	2,106	(898)	1,208
1,208	<b>(Surplus)/Deficit as at 31st March (Note 3 &amp; 4)</b>	(804)	(902)	(1,706)

## COLLECTION FUND

### NOTES TO THE ACCOUNTS

#### 1. COUNCIL TAX

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

<b>Band</b>	<b>Estimated No. of Properties</b>	<b>Ratio</b>	<b>Band D Equivalents</b>
A disabled	35	5/9	19
A	17,125	6/9	11,417
B	8,377	7/9	6,515
C	5,399	8/9	4,799
D	3,425	9/9	3,425
E	1,765	11/9	2,157
F	525	13/9	758
G	199	15/9	332
H	10	18/9	20
Totals	36,860		29,442
Less adjustment for collection rate			-442
<b>Council Tax Base</b>			<b>29,000</b>

The basic amount of Council Tax for a Band D property was £1,780.59 (£1,699.35 2018/19).

#### 2. BUSINESS RATES

Central Government specifies the annual amount payable by businesses (50.4p in 2019/20 and 49.3p in 2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

A small business rate relief scheme was introduced by central government in 2005/06 and for those businesses eligible for this relief the multiplier is reduced to 49.1p for 2019/20 (48.0p in 2018/19).

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

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

The total non-domestic rateable value at 31st March 2020 was £102,791,861 (£99,692,046 at 31<sup>st</sup> March 2019).

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

Under the accounting arrangements for the Derbyshire Pool, instead of each authority paying a proportion of their growth in business rates above a baseline to central government, it pays this levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. The estimated redistributed growth for 2019/20 was £328,000.

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

Surpluses or deficits relating to the Council Tax are shared between Derbyshire County Council, Derbyshire Police & Crime Commissioner, Derbyshire Fire Authority and the Borough Council in proportion to the precepts and demands issued and must be used to adjust the Council Tax. An estimated surplus of £940,939 was assumed when setting the Council Tax for 2020/21. The reduced outturn position of £39,213 will be accounted for in the tax calculation for 2021/22.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON COUNCIL TAX AT 31ST MARCH</b>		
	2020 £000	2019 £000
Derbyshire County Council	664	661
Derbyshire Police & Crime Commissioner	109	109
Derbyshire Fire Authority	38	38
<b>Chesterfield Borough Council</b>	<b>91</b>	<b>90</b>
Council Tax (Deficit)/Surplus	902	898

The surplus attributed to Chesterfield Borough Council is initially included in the Comprehensive Income & Expenditure Statement, although the element that is redistributed in the tax calculation in 2021/22 is subsequently reversed out and included in the balance sheet as part of Unusable Reserves. The proportion of the collection fund attributable to the three precepting authorities is included in the accounts as a debtor.

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

From 2013/14, surpluses or deficits relating to Business Rates are shared between Derbyshire County Council, Derbyshire Fire Authority, Central Government and the Borough Council in proportions fixed by Government. A surplus of £977,155 was assumed in the calculation of business rate income in 2020/21. The reduction in surplus of £172,517 will be distributed in the income calculation for 2021/22.

<b>ALLOCATION OF SURPLUS/(DEFICIT) ON BUSINESS RATES AT 31ST MARCH</b>		
	2020 £000	2019 £000
Central Government	156	-
Derbyshire County Council	269	240
Derbyshire Police & Crime Commissioner	-	(21)
Derbyshire Fire Authority	8	(1,590)
<b>Chesterfield Borough Council</b>	<b>371</b>	<b>(735)</b>
Business Rates (Deficit)/Surplus	804	(2,106)

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

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

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

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

The movements on the impairment provisions are shown below:

<b>COLLECTION FUND - IMPAIRMENT ALLOWANCE</b>				
Tax	Brought forward £000	Write-offs in the year £000	Increase / (Decrease) in allowance £000	Carried Forward £000
Business Rates	426	(293)	319	452
Council Tax	1,301	(311)	462	1,452
Total	1,727	(604)	781	1,904

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

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

The movement on the appeals provision is shown below:

<b>COLLECTION FUND - APPEALS PROVISION</b>			
Brought Forward	Applied in year	Contribution to provision in year	Carried Forward
£000	£000	£000	£000
4,730	(634)	2,008	6,104

## **7. PRECEPTS**

Details of the major precepts on the fund are shown in the expenditure section of the account. The precept paid to Chesterfield Borough Council includes £447,510 parish precepts (Staveley £396,936 and Brimington £50,574).

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

## Report on the financial statements

### Opinion

We have audited the financial statements of Chesterfield Borough Council for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movements in the Housing Revenue Account, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Chesterfield Borough Council as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment property and pension fund property assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment property and the valuation of the Council's share of Derbyshire Pension Fund's property investment assets. As disclosed in Note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the impact of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Chesterfield Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

### **Responsibilities of the Council**

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

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Use of the audit report**

This report is made solely to the members of Chesterfield Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Certificate**

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



Mark Dalton  
For and on behalf of Mazars LLP

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27 November 2020