Bolsover District Council

6th February 2015

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in Chamber Suites 1 & 2_on Monday 16th February 2015 at 1400 hours in Chamber Suites 1 & 2, The Arc, Clowne.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.

Yours faithfully

Sarah Sternberg

Assistant Director of Governance and Monitoring Officer
To: Chairman & Members of the Audit Committee

ACCESS FOR ALL

If you need help understanding this document or require a larger print on translation, please contact us on the following telephone number:-

☏ 01246 242528 Democratic Services
Minicom: 01246 242450 Fax: 01246 242423

Tel 01246 242424 Fax 01246 242423 Minicom 01246 242450
Email enquiries@bolsover.gov.uk Web www.bolsover.gov.uk
Chief Executive Officer: Wes Lumley, B.Sc. F.C.C.A.

AUDIT COMMITTEE

AGENDA

Monday 16th February 2015 at 1400 hours in Chamber Suites 1 & 2, The Arc, Clowne

Item No.		Page No.(s)
	PART 1 – OPEN ITEMS	
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 19th January 2015	3 to 7
5.	**Reports of the External Audit Consortium;** External Audit Plan 2014/15.	8 to 31
6.	**Reports of the External Audit Consortium;** Certification of Claims and Returns - Annual Report 2013/14.	32 to 35
7.	**Reports of the Executive Director – Operations;** Accounting Policies 2014/15.	36 to 55
8.	**Reports of the Executive Director – Operations;** Key Issues of Financial Governance.	56 to 62
9.	**Reports of the Executive Director – Operations;** Strategic Risk Register.	63 to 72

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suites 1 & 2, The Arc, Clowne, on Monday 19th January 2015 at 1400 hours.

PRESENT:-

Members: - Councillors, J.A. Clifton, S.W. Fritchley, D. McGregor. K. Reid and A.F. Tomlinson.

Cooptee Member: - J. Yates.

Officers: - B. Mason (Executive Director - Operations), J. Williams (Interim Head of Internal Audit Consortium) and A. Bluff (Governance Officer).

J. Yates in the Chair

0714. APOLOGIES

Apologies for absence were received from Councillor E. Watts, S. Sunderland (Audit Team Lead, KPMG), K. Meats (Audit Manager, KPMG).

0715. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0716. DECLARATIONS OF INTEREST

There were no declarations of interest.

0717. MINUTES – 15th DECEMBER 2015

Moved by Councillor J.A. Clifton, seconded by Councillor D. McGregor
RESOLVED that the minutes of an Audit Committee meeting held on 15th December 2014 be approved as a correct record.

0718. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS MEDIUM TERM FINANCIAL PLAN 2015/16 TO 2017/18

Members considered a report of the Executive Director – Operations in relation to the Medium Term Financial Plan (MTFP) 2015/16 to 2017/18.

The report provided information covering budgets and financial plans for the General Fund Revenue Account, Housing Revenue Account (HRA), and Capital Programme.

AUDIT COMMITTEE

The report would be presented to Budget Scrutiny Committee on 22nd January and Executive on 2nd February. Once the Executive had considered the position as set out in the report, any recommendations made by them would be referred to Council on 4th February in order to secure agreement to the Council's budget in respect of the 2015/16 financial year.

The main issue for Audit Committee was the financial governance of the Council and in particular on ensuring that the Council's budget and financial planning process was robust.

Under the provisions of the Local Government Act 2003 the Council's Section 151 Officer (the Executive Director Operations) was required to comment on the robustness of the estimates made and also on the adequacy of the proposed financial reserves. The Council's S151 Officer was satisfied that the methodology adopted to calculate the estimates was robust and provided Members with reliable information on which to base their decisions. Likewise, the S151 Officer was satisfied that the proposed level of reserves, which although at a relatively low level, were adequate to cover the issues and potential risks which faced the Council. The adequacy of the current level of reserves was considered in Appendix 1 to the report in relation to the General Fund, Appendix 2 in relation to the HRA, and Appendix 3 in relation to the Capital Programme.

In arriving at the assessment that the methodology adopted was robust the Chief Financial Officer was satisfied that the policies upon which the estimates were based were reasonable and that the policies had been applied consistently across the Council's activities.

The forecast position for the last two years of the proposed Medium Term Financial Plan effectively projected or rolled forward the figures in respect of 2015/16.

Covering the General fund shortfall of £350k for 2015/16 was achievable. Over previous financial years the savings process had been managed so that service cuts had been minimised. The Council had rationalised and tackled problems as opportunities had arisen with crises measures avoided. The 2016/17 forecast position was less robust as the Council would not know what monies it would receive from the Government until the Autumn Statement of November 2015.

A table in the report summarised the savings options that were proposed in order to address the 2015/16 position together with their impact on 2016/17 and 2017/18. Given the importance of securing the savings to the financial stability of the Council, progress would be reported on a regular basis to Executive and Audit Committee. It was also proposed that the Council should approve that actual budgets were amended to take account of identified savings as soon as those savings were formally approved. This would help to ensure that cost centre managers were fully aware of the budgets that they were working to and that those savings which were identified were fully achieved during the initial year.

In developing the financial projections in respect of 2015/16 to 2017/18, which were included in Appendix 1 to the report, officers had made a number of assumptions. The major assumptions which had been made were as follows;

- Pay increases of 2% in respect of 2015/16 with 1.5% in respect of both 2016/17 and 2017/18.

- No changes to employer superannuation contributions or to the lump sum deficit recovery.
- No allowance had been made in respect of general inflation although specific budget heads such as energy costs and business rates had been increased to reflect anticipated price increases. (The Executive should note that allowance had been made within the draft budget for an increase in recycling costs which reflected the fact that payments for recycled materials had significantly reduced). Likewise, budget increases of some £18k for the role out of Firmstep (2015/16 only) £12k for the cost of maintaining cash machines and £10k for improvements to the HR systems (2015/16 only) have also been proposed.
- A Council Tax increase of 1% or Council Tax Freeze Grant at 1% in respect of 2015/16, with Council Tax or Freeze Grant at 1.9% in respect of both 2016/17 and 2017/18.
- Government Grant reductions of £1.039m in 2016/17 and £0.882m in 2017/18. (It was anticipated that the level of Government grant and other funding would be established for both 2016/17 and 2017/18 by the Chancellors Autumn Statement towards the end of the 2015 calendar year). In the absence of any information to the contrary it was assumed that both the Non Domestic rating system and the New Homes Bonus funding would continue to operate along existing lines.
- Fees and Charges – service specific increases as agreed by Members.

As Members were aware, in respect of 2015/16, a ‘pool’ of authorities across Derbyshire had been established in respect of Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at its meeting held on 22nd October 2014 in recognition of the fact that those authorities which were members of a pool would in most cases benefit from retaining a higher level of locally generated non domestic rating income. Within the budget was an assumption that the Council would benefit by some £0.2m in respect of the 2015/16 financial year. Given the uncertainty concerning the availability of such income in respect of 2016/17 or future years, no assumptions concerning income in respect of these years had been made. Whilst it was reasonable to assume that the income of £0.2m would be secured in respect of 2015/16, it needed to be recognised that there may be a requirement to contribute to the Derbyshire Combined Authorities or other regional growth initiatives which may require a call on this funding out of any additional pooling income.

New Homes Bonus was included in the 2015/16 base budget at £1.049m and by the end of 2017/18 was anticipated to reach £1.5m. Every new home built, or empty property brought back into use, (offset by demolitions and those properties falling out of use), would provide the Authority with an increased income of £1,000 p.a. for 6 years for a Band A property. This reward, which was top sliced from the overall Government Grant pot, was intended to reward those authorities who allowed and facilitated additional housing in their areas. With effect from 2017/18, the first year of New Homes Bonus, (2011/12), would no longer be counted because at that stage it would have been paid for the full six years for which it was due to be paid. Whilst the Council would at that time be receiving approximately £1.5m per annum from the six years of New Homes Bonus to maintain the income at that level, the Council would need to secure an additional 250 homes per annum. The majority of these additional homes would need to come from new build properties.

In reaching a decision regarding the appropriate level of Council Tax for 2015/16, Members needed to consider the Council's financial position in respect of both 2015/16 and the remainder of the period covered by the MTFP. In summary, officers were currently forecasting that over the period April 2015 to March 2018 expenditure reductions (or increased income) of £2.273m would be necessary.

A lengthy discussion took place.

Members agreed that 'growth' was a key issue in considering the Council's future finances.

In considering the position in respect of the level of financial balances, it was proposed to utilise some £2m of the Transformation Reserve on the development of the enhanced Leisure facility at Clowne. There was also a clear intention that the remaining balance in the Transformation Reserve of £1.158m would be utilised to progress the Transformation and the Growth Agenda. On the basis of current projections, the Council should achieve a surplus of some £0.9m at the end of the current financial year. Given the intention to fully utilise the Transformation Reserve it would be appropriate to give consideration to increasing the level of General Fund balances to £2m which would require a contribution of some £0.218m at the year end; that would leave the remainder of any surplus to be directed into the Transformation Reserve to fund 'Invest to Save' activities in future years. At a level of some £2m, General Fund balances would be some 40% above the estimated level of risk faced by the Council. Crucially, should the Council fail to achieve its savings target then the availability of General Fund balances of £2m would enable a period of time in which to make any necessary adjustments and to minimise the impact on local residents.

Housing Revenue Account (HRA)

The Estimated Outturn figures provided in the report were in line with those previously reported to Executive in December 2014 and showed no significant variation from the original budget.

To summarise the overall position for the HRA; in 2014/15 the overall shortfall on the HRA remained at £20,000 which was the same as the original budget agreed in February 2014. In order to retain HRA balances at a level of £1.881m it was proposed that the budgeted contribution to the Development Reserve be reduced by £0.2m.

A key issue for 2015/16 was that the average rent increase required to comply with Government rent guidelines for social housing was 2.2% which resulted in the average rent for a Council house of £85.28 per week. It was also recommended that all new tenants should be required to pay target rent.

In addition to being required by Government guidance, (although such guidance was not compulsory), it needed to be recognised that rent increases in line with inflation were necessary if the Council was to be able to repay its HRA debt, provide housing services and maintain its houses to a good standard in line with the expectations of tenants. It should also be recognised that rental levels for council housing were and would continue to be significantly below those in the private rented sector.

Forecasts 2016/17 and 2017/18;
The forecast position for the last two years of the proposed Medium Term Financial Plan effectively projected or rolled forward the figures in respect of 2015/16. These figures

demonstrated that despite the range of recent changes to the HRA, which had reduced the future rental stream and made the loss of stock under Right to Buy more likely, the HRA remained financially sustainable. This position was supported by the HRA Business Plan which covered a full 30 year period. The Government had discontinued the rent convergence policy which for Bolsover substantially impacted on the financial model which underpinned the localism of the HRA. Bolsover District Council was allocated a debt of £94.3m to repay on the basis of the level of income arising from based on rent convergence. This was one of a number of changes which all served to reduce the longer term rental income of the HRA adding a further impetus to the ongoing work to secure efficiencies and improvements in the delivery of the Housing service.

Members asked questions and a discussion took place.

Councillor Clifton left the meeting at this point.

Capital Programme;
With regard to the Capital Programme, the majority of expenditure would continue to be in respect of the HRA Programme, which was funded by capital resources ring fenced to the Council's HRA. The financial provision to fund the ongoing programme of housing refurbishment work was planned to continue at a level of some £4m per annum over the period of the proposed MTFP. After 2017/18, it would be necessary to increase the rate of spend as key elements of the housing stock such as roofs, kitchens and bathrooms would need replacement. Since the introduction of HRA reform in 2012, the Council had already built some 66 new houses and this programme was set to continue. The new homes at New Houghton would be completed by the end of the current financial year and proposals were well under way to deliver 7 homes on a former garage site at Rogers Avenue, Creswell. The major scheme at New Bolsover was also commencing within the period of the current MTFP.

With respect to General Fund assets Officers were currently working on projects concerning the replacement of the contact centre at Shirebrook and continuing to explore options to secure the long term sustainability of Pleasley Vale Mills. Additional reports on these issues would be presented to Members appropriately during the course of the year.

Treasury Management Strategy;
Members were asked to note that a separate report would be presented to Council on 4th February 2015, regarding the Treasury Management Strategy. The report would include consideration of issues concerning leasing and borrowing which constituted the capital financing to enable the proposed capital budgets outlined within this report to proceed.

Moved by Councillor S.W. Fritchley and seconded by Councillor K. Reid
RESOLVED that the report be received.

The meeting concluded at 1500 hours.

Bolsover District Council

Audit Committee

16th February 2015

BOLSOVER DISTRICT COUNCIL ACCOUNTING POLICIES 2014/15

Report of the Executive Director – Operations

This report is public

Purpose of Report

To request approval by the Audit Committee of the accounting policies that it is proposed to adopt for the current financial year in the preparation of the Statement of Accounts 2014/15.

1. Report Details

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporate the requirements of International Financial Reporting Standards (IFRS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation of the policies that are being adopted.

1.3 This report therefore presents the accounting policies that the Council will apply in the preparation of the Statement of Accounts 2014/15.

Accounting Policies

1.4 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2014/15. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements. With regard to the policies proposed in respect of 2014/15 there has been a limited number of minor changes which are seeking to clarify the policies, however, there have been no significant amendments from the policies adopted in respect of 2013/14. Full details of all the proposed accounting policies for the current financial year are provided at **Appendix 1**.

1.5 As the Statement of Accounts for 2014/15 are prepared it may be necessary to amend a policy in order to adopt a more appropriate accounting. If this occurs the change and the reason for the change will be reported back to the Audit Committee at its meeting in June 2015 prior to the publication of the Statement of Accounts.

2. Conclusions and Reasons for Recommendation.

2.1. This report sets out the Accounting Policies which it is proposed to adopt in respect of the 2014/15 Statement of Accounts for consideration by the Audit Committee. Given that the policies adopted have a significant influence upon the Accounting Statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the Accounts. The Policies which are recommended for adoption are in line with those that were used in the previous financial year (2013/14) with only some minor clarification of detail.

3. Consultation and Equality Impact.

3.1. This report to Audit Committee is essentially the consultation process concerning the proposed Accounting Policies for this financial year (2014/15). It is largely a technical document but it is important that those charged with governance have the opportunity to review and shape the document.

3.2. There are no equalities issues arising directly from this report.

4. Alternative Options and Reasons for Rejection

4.1. The Council is required to have appropriate Accounting Policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those adopted in previous financial years. The preparation and consideration of this reports is part of a process intended to ensure that alternative options are given appropriate consideration.

5. Implications

5.1. Financial and Risk Implications

- There are no direct financial implications arising from this report. The accounting policies will however be used to determine the accounting treatment of the financial transactions of the Council for 2014/15 and will therefore influence the presentation and understanding of the financial position of the Council as at 31 March 2015.

- None of the policies outlined in **Appendix 1** are considered to be in conflict with legislative or IFRS requirements therefore the risk of adopting a policy that contravenes good practice is considered minimal. The greater risk is the failure to ensure that the policy and the actual accounting treatment are consistent. To minimise this risk the final accounts timetable for 2014/15 has officer review time built in to cross check the policies to the actual treatment of items within the accounts.

5.2 **Legal Implications including Data Protection**

- The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The accounting policies adopted by the Council must comply with current legislation, the Code of Practice on Local Government Accounting and IFRS requirements. Officers have given careful consideration to the policies detailed at **Appendix 1** to ensure that they meet all these requirements.

- There are no data protection issues arising directly from this report.

6. Recommendation(s)

6.1 Members are asked to approve the Accounting Policies detailed at Appendix 1 to this report.

6.2 Members are requested to note that any proposed amendments or changes to these policies will be reported back to this Committee, together with an explanation for the reasons a change is considered to be appropriate and detailing any financial implications of the amendments.

7. Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly
Links to Corporate Plan priorities or Policy Framework	All priorities

8. Document Information

Appendix No	**Title**
1	Accounting Policies
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	**Contact Number**
Chief Accountant	(01246) 2172451

Bolsover District Council - Annual Accounts 2014/15

1 Accounting Policies

Notes to the Core Financial Statements

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31st March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

The Council does not have any transactions that are reclassifiable to the Surplus or Deficit on the Provision of Services. As such we have not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.

b) Accounting Concepts

The concepts used in selecting and applying the most appropriate policies and estimation techniques are as follows:

- The qualitative characteristics of financial information - relevance, reliability, comparability and understanding;

- Materiality (all major transactions and events are included);

- The accounting concepts of accruals, going concern and the primacy of legislative requirements.

c) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for in the year to which it relates and is based on an effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract;

- Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. Rental income from HRA dwellings is included without an adjustment for the over lap between financial years on the grounds of materiality. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Income and expenditure are credited and debited to the relevant service revenue account unless they properly represent capital receipts or capital expenditure.

Grant claims are submitted on an actual basis wherever possible. However if the information required is not available then a best estimate basis is adopted.

d) Cash and 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 short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Council has a number of Call accounts to meet short-term cash flow requirements where no notice is required to access funds.

Call accounts held to make a gain from favourable rates of interest are classed as investments and not cash equivalents. This also applies to Money Market Funds and fixed term investments.

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 Council's cash management.

e) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets 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 the losses can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The Council 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 determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation costs are therefore replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council. The Council has decided that for 2014/15 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of 4% of outstanding debt per year until the debt is extinguished. Any prudential borrowing for the General Fund is repaid based on the life of an asset.

f) Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside. The Collection Fund includes transactions in respect of both Council Tax and Non-domestic Rates.

The Local Government Finance Act 2012 introduced a business rates retention scheme. Billing authorities are now required to make a provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The Council will commission each year, an independent assessment at 31 March of the outstanding appeals lodged with the Valuation Office Agency (VOA). The assessment will review every individual appeal and estimate the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations.

g) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

h) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the accounting statements; they are disclosed in a note to the accounts.

i) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end but which can be carried forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit. The accrual is charged to the relevant service area of the Comprehensive Income and Expenditure Statement but then is reversed out through the Movement in Reserves Statement so that the annual leave is charged to revenue in the financial year in which the annual leave occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with accrued debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council on behalf of Bolsover District Council. The scheme provides defined benefits to members (lump sums and pensions) earned as employees working for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the 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, etc, and projections of projected earnings for current employees.

- Liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of 'spot yields' on AA rated corporate bonds.

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

- Service cost comprising:

  - Current Service Cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the 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. These costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Remeasurements comprising:

  - The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and 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 - debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions Paid to the County Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities. These are 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

j) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, 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 such events.

- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial impact.

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

k) Exceptional Items

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

l) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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, i.e. in the current and future years affected 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 or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting the 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 amending opening balances and comparative amounts for the period.

m) Financial Instruments

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Liabilities held by the Council

- Borrowings (PWLB loans, temporary borrowing, cash overdrawn);
- Trade and Other Payables (creditors and receipts in advance).

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made a loan to an organisation (Sheffield City Region) at less than market rates (a soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year.

Where Financial Assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the financial asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the financial assets original effective interest rate.

Any gains and losses that arise on the de-recognition of a financial asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets held by the Council - Loans and receivables

- Bank Deposits (cash balances);
- Trade Receivables (debtors);
- Loans Receivable (council house mortgages);
- Investments (overnight investments, temporary investments).

Available-for-sale Assets

The Council does not hold any Available for Sale Financial Assets.

n) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council 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 or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

o) Heritage Assets

Heritage assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets.

There is a de-minimis level of £10,000 applied to Heritage Assets in line with the accounting policy on Property, Plant and Equipment. The Heritage Assets held by the Council are currently below the de-minimis level.

p) Intangible Fixed Assets

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

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset, held by the Council meets this criterion and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Each intangible asset is tested for impairment each year to see if there is an indication that the asset may be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible fixed asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds in excess of £10,000, the Capital Receipts Reserve.

q) Interests in Companies and Other Entities

The Council has no material interests in any companies or other entities that have the nature of subsidiaries, associates or jointly controlled entities that would require it to prepare group accounts.

r) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the share of expenditure it incurs and the share of income it earns from the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefit for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Building Control - with North East Derbyshire District Council and Chesterfield Borough Council

Internal Audit Services - with North East Derbyshire District Council and Chesterfield Borough Council

Procurement Services - with North East Derbyshire District Council, Derbyshire Dales District Council and Chesterfield Royal Hospital

ICT Services - with North East Derbyshire District Council and Derbyshire Dales District Council

Environmental Health Services - with North East Derbyshire District Council as part of the Strategic Alliance

The Council has jointly controlled assets with Chesterfield Borough Council and North East Derbyshire District Council regarding the operation of a crematorium. The Council holds a share of the joint crematorium committee. The Council's share of the crematorium's assets and income and expenditure for 2014/15 is ??%, (2013/14 14%) which has been included within the Statement of Accounts.

s) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

t) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Investment properties are not depreciated but are revalued according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment line and result in a gain to the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds in excess of £10,000, to the Capital Receipts Reserve.

u) Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee (The Council). 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 that 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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;

- a finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

The Council also has operating leases where the risk and rewards relating to the leased property remains with the lessor. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. It is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received); and
- Finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt.

The Council currently has no finance leases for property where this policy applies.

Operating Leases

Where the Council grants an operating lease over an asset the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset and charged as an expense over the lease term.

v) Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – the costs relating to the Council's status as a multi-functional, democratic organisation

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties

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

w) Property, Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides is for more than one financial year and the cost of the item can be reliably measured. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. A general de-minimis limit of £10,000 is applied to fixed assets.

Measurement

Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be it's fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). If an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset exchanged by the Council.

Donated assets are measured at fair value. The difference between fair value and the consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement 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 – depreciated historical cost;

- Dwellings – fair value, determined using the basis of existing use value for social housing;

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

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

Where non property assets that have short useful lives or low values, or both, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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 that balance, up to the value of the accumulated gains

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. If there is an indication of impairment, and it is deemed material, the recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses 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 that balance, up to the value of the accumulated gains

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception exists for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Land: Not depreciated;

- Buildings: Straight-line allocation over the life of the property;

- Vehicles, plant and equipment: Straight line allocation over the life of the asset;

- Infrastructure: Straight-line allocation over life of asset;

- Council dwellings: Straight-line allocation over the life of the property;

- Community assets (subject to exceptions): Not depreciated.

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

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.

Where an item of Property, Plant and Equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems "significant" to be 25% or more of the total cost of the asset. The Council also applies the following de minimis levels with regard to component accounting.

Components are not separately identified where:

- The useful life of the asset is less than 10 years

- The depreciation charge based on the life of the component would differ from that for the total asset by less than £10,000.

- The component life must be materially different to the main asset to be treated as a component.

For grouped assets such as Council Dwellings a practical level of componentisation has been applied which links to the work programmes carried out within the capital programme. An appropriate component life has been assigned to each of these components.

Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell , 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as held for sale an asset must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;

- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;

- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classed as 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 assets held for sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, as part of the gain or loss on the sale of assets. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals, in excess of £10,000 are treated as capital receipts. A proportion of Housing receipts is payable to central government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used for future capital investment or to reduce the Council's underlying need to borrow.

The gain or loss on the sale of assets is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement.

x) Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate available at the balance sheet date, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of the financial year - where it becomes less than probable that a transfer of economic benefit will now be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

y) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the relevant 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 appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

z) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amount charged so there is no impact on the level of Council Tax.

aa) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the Council is unable to recover VAT it is charged to the appropriate service.

ab) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Bolsover District Council

AUDIT COMMITTEE

16th FEBRUARY 2015

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Executive Director – Operations

This report is public

Purpose of the Report

- The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall progress of the Council's financial governance arrangements.

1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2013/14 Audit. The key messages from that report are as follows:

- While the auditors have identified some issues where they have made adverse comment these are relatively minor. In overall terms the Council has continued to make further progress in its accounting arrangements which consolidates and builds upon the improvements secured in the 2012/13 final accounts. The issues raised by External Audit in respect of the 2013/14 Accounts are being addressed to help ensure that further improvements are secured in respect of the 2014/15 reporting process.

- The Council needs to continue with its programme of work in respect of the management of contracts to ensure that all outstanding issues are satisfactorily resolved. The recent Internal Audit report in respect of Procurement evaluated the internal controls which were operating in this area as being marginal. Appendix 1 to this report outlines the steps that are being taken by Management in response to the issues that have been identified.

- The Annual Governance Statement for 2013/14 outlined the progress that has being made in respect of improving the Council's internal Control arrangements as evidence by the reduction in the number of critical Internal

Audit reports from 13 in 2012/13 to a figure of 3 in 2013/14. At this stage in the current financial year three reports have been evaluated as marginal, so even if no further critical reports are received there remains room for improvement.

- Whilst the Council has maintaining good progress in protecting its financial resilience it needs to move to address the identified financial shortfalls in respect of 2014/15 onwards. The External Auditors report concludes that:

  "Against a background of reduced funding and continued demand pressures it will become increasingly difficult to deliver savings in a way that secures long term financial and operational sustainability."

- Officers are continuing to monitor the position in respect of the delivery of the agreed Audit Plan where earlier in the year there were concerns that a significant amount of the agreed audit work would not be concluded. Officers are of the view that the position has improved significantly and that all of the main audits will be concluded by the year end, with a small number (two audits) being moved into next years programme. Given that the team is due to lose a member of staff shortly through a promotion to another authority this position represents significant progress.

.

The issues identified above are all incorporated within the Action Plan set out in Appendix 1.

1.3 With regard to the Strategic Issues that have been agreed these are summarised in the table below which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers.

1.4 While there remain significant issues to address there is a clear trend of improvement. It is, however, important that the Council continues with measures that consolidate this improvement, ensure it is sustainable and addresses any outstanding issues.

1.5. In the light of the outcome of the 2013/14 year end report provided by KPMG together with the Council's own improvement plans there are a range of measures in place which are designed to address the issues of financial governance faced by the Council. These may be summarised as follows:

- A training programme has been provided to all cost centre mangers which covers a range of core competencies such as financial management, risk, performance, procurement, etc. In addition, the quarterly performance and finance meetings are now well established and provide an important opportunity to ensure that best practice is in operation across the full range of Council activities.

- Our procurement arrangements have been revised and we have secured appropriately qualified and experienced support from Chesterfield Royal

Hospital Trust. Officers are now actively utilising the contract information provided to meet the requirements of the Transparency Agenda as the basis for securing improvements in our contractual arrangements. This information is now a standing item on the Quarterly Finance, Performance and Risk meetings.

- The capacity and resilience of the Accountancy team is being enhanced by ensuring appropriate training arrangements are in place.

- The Accountancy team will continue to work with cost centre managers in order to secure further improvements in accounting / financial management arrangements. The Chief Financial Officer together with the Head of the Internal Audit Consortium will seek to ensure that the Quarterly Finance, Performance and Risk meetings place an increased emphasis on the measures necessary to improve our financial governance arrangements.

- The work of Internal Audit has been incorporated into the existing Quarterly Performance and Financial management framework to ensure that recommendations are fully implemented and that the profile of the importance of internal control is raised within the Council. This will both help secure the improvements in internal control required by the Council whilst helping ensure Internal Audit remain fully compliant with the new United Kingdom Public Sector Internal Audit Standards.

- Finally, we will continue to monitor the position with respect to the delivery of the Internal Audit Plan.

Future Key Issues of Financial Governance reports will update the Audit Committee in respect of progress against the actions detailed above.

1.6 The revised Strategic Key Issues of Financial Governance are set out in Appendix 1 which is provided below.

2 <u>Conclusions and Reasons for Recommendation</u>

Conclusions

2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations.

2.2 To allow the Audit Committee to undertake its function of undertaking an ongoing independent review of the Council's financial governance arrangements.

3 <u>Consultation and Equality Impact</u>

Consultation.

3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

4.1. Given that the Council has a clear commitment to improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are options as to the format of this report the current format has been brought before the Audit Committee for a period in excess of two years and has been amended to reflect the views of the Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the necessary outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council as a result of this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon both the Council's financial performance and its service delivery arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

There are no Human Resources issues arising directly out of this report.

6 Recommendations

6.1. It is recommended that Audit Committee considers whether the Strategic Issues of Financial Governance as set out in the report reflect the key issues facing the Council, and raises any issues of concern which it may have with progress to date.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	**Title**
1	

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)
External Audit Reports : KPMG "Annual Audit Letter 2013/14 (Audit Committee 15th December 2014) "Report to those Charged with Governance 2013/14 ISA 260" (Audit Committee 22nd September 2014). Internal Audit Consortium: "Summary of Progress on the Internal Audit Plan 2014/15" (Audit Committee 22nd September 2014).

Report Author	**Contact Number**
Executive Director – Operations (Chief Financial Officer)	2431

Issue Raised	**Progress to date including target dates.**
1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.	The Council achieved its full targeted level of savings of £0.884m in respect of 2013/14 and will secure a balanced budget in respect of the current financial year (2014/15). The budget in respect of the next financial year has identified a savings target of some £0.350m which officers are of the view should be relatively easy to secure. However, the shortfalls in respect of 2015/16 and 2016/17 are both in the region of £1m. The position in respect of these latter years is made more difficult by the fact that the actual grant settlement will not be provided until the Autumn Statement of the incoming Government in November 2015. Against this background it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall.
2. To secure further improvements in financial reporting with respect to the Council's published accounts and in the Council's financial management arrangements.	The Council has continued to improve the quality of its financial accounts as demonstrated by the External Audit reports in respect of both 2012/13 and 2013/14. The improvements secured to date provide a firm foundation for consolidation of progress. The Accountancy Team is well established and is well placed to secure further improvements especially in respect of work with service managers to deliver the improved financial management required against the increasingly challenging financial position facing local authorities. Appropriate training programmes are in place for all members of the team.
3. To improve the Council's Internal Control arrangements, and to strengthen the culture of effective management and budgetary control across the Authority.	This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of securing improvements in our internal control arrangements. Internal Audit have undertaken a more prominent role in the Council's Performance Management arrangements since April 2013. A comprehensive training programme has been delivered to all cost centre managers during the summer of 2014, and measures will be taken to strengthen the communications around the importance of internal control and the Council's wider financial position. We will monitor the position with respect to the managerial arrangements operating within Internal Audit and will work to ensure that the agreed Audit Plan is delivered by the year end. The reduction in the number of Internal Audit reports where areas have been assessed as marginal between 2012/13 and 2013/14 supports the view that the internal control environment is improving.

4.	To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.	The recent review by Internal Audit has concluded that managerial arrangements in this area whilst improved remain marginal. A number of measures have been put in place in order to secure further improvement which can be summarised as follows: • A training programme including a significant element concerning procurement contracts has been delivered. • The Council is using the contract data required under the Transparency Agenda as the basis for securing improvements in our managerial arrangements. • The Council has entered into a shared service arrangement with Chesterfield Royal Hospital in order to secure access to specialist procurement advice. • All recommendations made in the Internal Audit report will be implemented. • There will be an increased emphasis on Procurement issues as part of the Quarterly Finance, Risk and Performance meetings.

Bolsover District Council

Audit Committee

16th February 2015

Strategic Risk Register

This report is public

Report of the Executive Director - Operations

Purpose of the Report

- To update Members concerning the current position regarding Risk Management and to seek approval for the revised Strategic Risk Register as at 31st December 2015, as part of the suite of Finance, Performance and Risk reports.

1 **Report Details**

Background

1.1. The Council's Strategic Risk Register has been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlines the service or operational risks faced by the Council. The Risk Management Group has also given separate consideration to the Strategic Risks which face the organisation.

1.2. In addition to the work undertaken at the Business Risk Group the Council also considers the issue of Risk Management at the Quarterly Directorate meeting. This allows senior managers to have a greater level of input into the shaping of the Strategic Risk Register and into the wider issues of Risk Management. It also allows service Registers to be independently reviewed on a more regular basis than was achieved by periodic review at the Business Risk Group. More recently the Strategic Risk Register was considered as part of a Member Development Day. The Strategic Risk Register is reported on a quarterly basis to both Executive and to the Audit Committee.

1.3. In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:

- To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.

- To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.

- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.

- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and to ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.

- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a better awareness of its overall risk exposure.

2. <u>The Strategic Risk Register</u>

2.1. The revised Strategic Risk Register as at 31st December 2015 is set out in **Appendix 1** for consideration by the Audit Committee. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved. An ongoing review of the Strategic Risk Register ensures that a focus is maintained on current risks.

- Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary risk assessment is revisited.

- The process also allows appropriate consideration to be given to the success of existing mitigation, and to the issue of whether any further mitigation is required.

- The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest risk score are detailed first.

2.2. In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance to local residents. The current position, however, needs to be maintained at a time when it will be increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that our expenditure remains in line with the level of our resources at a time of declining financial support from central government. This is likely to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision with the associated risks that such disruption entails.

2.3. At the quarterly Performance meetings one issue was raised in respect of the Council's position over the coming six months. This concerned the requirement to ensure that the Council's role in administering the Election process in May 2015 is appropriately handled with robust arrangements in place. Given that there are both national and local elections taking place on the same day there will be an increased level of complexity against those years in which only local elections are held. Officers are confident that providing adequate staffing resources are available that the position will be appropriately managed. However, the significant reputational damage arising from any failings was acknowledged. This issue has been incorporated into the Strategic Risk Register item number 4 which concerns the large number of projects the Council needs to deliver against the background of limited capacity. Given the importance of delivering an election the associated risks will be managed where necessary by diverting resources away from other workstreams.

2.4. In order to develop the understanding of risk throughout the organisations a series of training sessions for senior managers was held in the summer of 2014. These training sessions included a significant element dealing with risk management.

2 <u>Conclusions and Reasons for Recommendation</u>

2.1 The Strategic Risk Register is intended to highlight those areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified (see Appendix 1) and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council.

Reasons for Recommendation.

2.2 To enable Audit Committee to consider the risks identified within the Strategic Risk Register in order to assist in maintaining effective governance arrangements, service and financial performance.

3 <u>Consultation and Equality Impact</u>

Consultation

3.1 There are no issues arising from this report which necessitate a formal consultation process.

Equalities

3.2 There are no equalities issues arising directly out of this report.

4 <u>Alternative Options and Reasons for Rejection</u>

4.1 Under the relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework and to manage its

Partnership arrangements effectively. This report is in part intended for Members and Officers to consider whether the Council has adopted an appropriate approach to its management of risk and partnerships. It is part of a well established framework of debate within the Council and with external partners with options in respect of both the risks identified and the management processes considered as part of that ongoing debate.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

Risk

Risk Management Issues are covered throughout the body of the main report.

5.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

6 Recommendations

6.1 That Audit Committee considers the Strategic Risk Register as at 31st December 2014 as set out in Appendix 1 and makes any comments that it considers to be appropriate.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All.
Links to Corporate Plan priorities or Policy Framework	Robust Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

8 Document Information

Appendix No	Title
1	Strategic Risk Register as at 31st December 2014.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Master Risk Register	
Report Author	**Contact Number**
Executive Director – Operations	2431

Appendix 1

STRATEGIC RISK REGISTER SUMMARY AS AT: 31st DECEMBER 2014

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
1	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at relatively low levels.	• Impact upon ability to deliver current level of services. • Unable to resource acceptable levels of service. • Significant adverse reputational Impact.	4,4 **16**	3,4 **12**	SAMT / Chief Financial Officer
2	Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on Council (poor grant settlement), or upon the local economy (employment losses / welfare reform), to which Council is unable to adopt an appropriate change of Strategic direction. It would be reasonable to anticipate an increase in policy	• Unable to deliver a package of services that meet changing local needs and aspirations. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing.	4,4, **16**	3,4 **12**	SAMT / Political Leadership

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
	announcements / legislative change following the May 2015 election.				
3	Financial position makes it increasingly difficult to recruit to key posts or to replace key staff who leave. Staff morale is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances.	• Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff.	4,4 **16**	3,4 **12**	SAMT / Asst Director HR

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
4	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc Local and national elections, Regeneration Initiatives, HRA reform, Asset Management securing major financial savings and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	• New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues.	4,4 **16**	3,4 **12**	SAMT / Chief Executive
5	Emergency Planning and Business Continuity arrangements fail to meet required standards when	• Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire). • Failure of IT infrastructure, leading	3,5 **15**	2,5 **10**	SAMT / Director of Health and Well Being

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
	tested by flu pandemic, natural disaster (flood), etc.	to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice.			
6	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	• Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption.	3,4 **12**	3,3 **9**	Chief Executive / Political Leadership Team
7	A major operational or failure of data protection risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery.	3,4 **12**	2,4 **8**	SAMT / Assistant Directors

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
8	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	• Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact.	3,4 **12**	2,4 **8**	Chief Financial Officer / Monitoring Officer