

To: Chair and Members of Audit  
Committee.

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19<sup>th</sup> July 2019

Dear Councillor

You are hereby summoned to attend a meeting of the Audit Committee of Bolsover District Council to be held on **MONDAY 29<sup>TH</sup> JULY 2019 at 1400hours** in the Council Chamber, The Arc, Clowne.

Register of Members' Interest - 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



Joint Head of Corporate Governance & Monitoring Officer



**We speak your language**  
Polish **Mówimy Twoim językiem**  
Slovak **Rozprávame Vaším jazykom**  
Chinese **我们会说你的语言**

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If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.



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# AUDIT COMMITTEE

## AGENDA

**Monday 29<sup>th</sup> July 2019 at 1400 hours in the Council Chamber, The Arc, Clowne**

<b>Item No.</b>		<b>Page No.(s)</b>
<b>PART 1 – OPEN ITEMS</b>		
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.	To approve the minutes of a meeting held on 16 <sup>th</sup> April 2019	3 to 6
5.	<b>Reports of the Council's External Auditor MAZARS</b>	
	(A) Audit Completion Report	7 to 26
6.	<b>Reports of the Internal Audit Consortium Manager</b>	
	(A) Internal Audit Consortium 2018/19 Annual Report to Bolsover District Council	27 to 34
	(B) Summary of Progress on the Annual Internal Audit Plan 2018/19 and 2019/20.	35 to 40
	(C) Implementation of Internal Audit Recommendations	41 to 51
7.	<b>Report of the Chief Accountant and Section 151 Officer</b>	
	(A) Bolsover District Council – Statement of Accounts 2018/19	52 to 54 Plus Appendix
	(B) Committee Work Programme 2019/20	55 to 59
8.	<b>Report of the Strategic Director - People</b>	
	(A) Strategic Risk Register and Partnership Arrangements	60 to 75

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Tuesday 16<sup>th</sup> April 2019 at 1400 hours.

### **PRESENT:-**

Members:-

Councillor K. Reid in the Chair

Councillors A.M. Syrett, D. McGregor, T. Munro, and D.S. Watson.

Officers:- J. Williams (Internal Audit Consortium Manager) Theresa Fletcher (Chief Accountant and Section 151 Officer), Sarah Sternberg (Head of Corporate Governance and Monitoring Officer) and Donna Cairns (Senior Governance Officer).

Also in attendance at the meeting was R. Jaffray (Co-optee Member) and M. Norman (Mazars, the Council's External Auditors).

### **0865. APOLOGY**

An apology for absence was received on behalf of Councillor B Watson.

### **0866. URGENT ITEMS OF BUSINESS**

There were no urgent items of business considered at the meeting.

### **0867. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0868. MINUTES – 29<sup>TH</sup> JANUARY 2019**

In relation to Minute No. 0641, Councillor T. Munro requested a copy of the self-assessment on the role and effectiveness of the Committee.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

**RESOLVED** that the Minutes of the meeting of Audit Committee held on 29<sup>th</sup> January 2019 be approved as a correct record.

### **0869. REPORTS OF THE COUNCIL'S EXTERNAL AUDITOR – MAZARS AUDIT STRATEGY MEMORANDUM**

Committee considered a report from Mazars, the Council's external auditors, which presented the Audit Strategy for Members information.

The report summarised Mazar's audit approach, highlighted significant audit risks and areas of key judgements and provided details of Mazar's audit team.

## **AUDIT COMMITTEE**

The Committee was informed that there had been no change to the responsibilities of the auditors in the performance of the audit work. The significant risks identified included management override of control, the valuation of plant, property and equipment and the defined benefit liability valuation.

Further audit risks that would be reviewed included the Council's provision for business rate appeals and the minimum revenue provision.

In producing their Value for Money opinion, Mazar's were required to form a conclusion as to whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. No significant risks had been identified for the financial year 2018/19. Areas for review that had been identified were financial sustainability and the Council's Commercial Property Investment Strategy.

Members were informed of an error in the report which had attributed the audit fees to the wrong years. The audit fee for 2018/19 was £38,046 which was less than the fee for 2017/18 at £49,410.

The Committee's attention was drawn to the materiality thresholds which the audit work would have regard to and Mazar's commitment to independence and compliance with the Financial Reporting Council's Ethical Standard.

Moved by Councillor D. McGregor and seconded by Councillor T. Munro  
**RESOLVED** that the report be noted.

### **0870. AUDIT COMMITTEE PROGRESS REPORT**

The Committee considered a report of the Council's external auditors, Mazars, which provided an update on progress in the delivery of their responsibilities.

It was noted that since the last meeting of the Committee, Mazar's had completed their interim audit and had no matters to report on at this stage. Thanks were given to the Chief Accountant and the Finance Team for supporting the audit.

Members' attention was drawn to a number of key emerging national issues and developments which were summarised within the report. In particular the CIPFA Proposed Financial Management Code for Local Government was highlighted.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett  
**RESOLVED** that the report be noted.

### **0871. REPORTS OF THE INTERNAL AUDIT CONSORTIUM MANAGER INTERNAL AUDIT PLAN 2018/19**

The Committee considered the Internal Audit Plan for 2019/2020.

A key requirement of the public sector internal audit standards was that a periodic risk based plan should be prepared that was sufficiently flexible to reflect the change in risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

## **AUDIT COMMITTEE**

The plan had been prepared to take into account the following factors:

- The organisational objectives and priorities
- Local and national issues and risks
- The requirement to produce an annual internal audit opinion
- The organisation's assurance framework
- An update of the internal audit risk assessment exercise covering the financial control and other procedure subject to audits
- The fraud risk register
- The Council's strategic risk register and
- The views of the Strategic Directors, the Head of Finance and Resources and s151 Officer and the Strategic Alliance Management Team.

Particular features of the 2019/20 plan that were highlighted included the intention not to review Council Tax during the year as there were no system or legislative changes and the performance in previous audits had been good. The inclusion of Members' ICT equipment and Members' expenses were noted.

The frequency of review of Freedom of Information and Data Protection areas was queried. Members were advised that an audit had recently been performed following the implementation of GDPR and that adequate provision had been made to monitor these areas during the cycles of audit plans.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett  
**RESOLVED** that the Internal Audit Plan for 2019/20 be agreed.

### **0872. INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE ANNUAL INTERNAL AUDIT PLAN 2018/19**

The Committee considered a report which presented progress made by the Internal Audit Consortium in respect of the 2018/19 Internal Audit Plan.

Between 19<sup>th</sup> January and 5<sup>th</sup> April 2019, six reports had been issued; four with substantial assurance and two with reasonable assurance. Members were informed that the final reports from the 2018/19 Internal Audit Plan would be presented to the next meeting of the Committee.

Moved by Councillor T. Munro and seconded by Councillor D. McGregor  
**RESOLVED** that the report be noted.

### **0873. REPORT OF THE HEAD OF CORPORATE GOVERNANCE AND MONITORING OFFICER**

#### **ANNUAL GOVERNANCE STATEMENT 2018/19**

The Committee considered the Annual Governance Statement 2018/19.

The purpose of the report was to seek the agreement of the Committee to the conclusions and content of the Annual Governance Statement which was proposed to be incorporated within the Council's Statement of Accounts 2018/19.

## AUDIT COMMITTEE

Preparation of the Statement had been undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework which set out the fundamental principles of Corporate Governance that needed to be addressed within the Annual Governance Statement.

Two limited assurance internal audit reports had been issued during the year, Health and Safety and Property Service Compliance, which were included in the Statement.

Significant governance issues identified within the Statement included:

- Balancing the Council's budget over the Medium Term Financial Plan through securing efficiency savings
- Failure of the Local Plan to progress to submission stage and to be found sound at independent examination.
- Failure to recruit a Joint Head of Finance and Resources who is Section 151 Officer
- The impact of the United Kingdom leaving the European Union
- Failure to maintain sufficient resources and capacity in strategic areas.

Details of the actions taken by the Council to address and mitigate these risks were included in the report.

It was noted that a further update to the situation regarding the Local Plan could be provided as further information on the status of the Examination would be released.

The name of the Committee Chair on the Draft Memorandum would be corrected to the current Chair, Councillor Karl Reid.

Members agreed that the Annual Governance Statement for 2018/19 was robust.

Moved by Councillor A.M. Syrett and seconded by Councillor D. McGregor

**RESOLVED** that

- (1) the draft Annual Governance Statement as set out at Appendix 2 to the report be approved,
- (2) having reviewed the effectiveness of the governance framework, the Committee was satisfied that the Council's governance and internal control arrangements were fit for purpose.

*The Chair of the Committee thanked officers for supporting the work of the Committee and the Members and the Co-opted Member for their service during the year. The Chair particularly thanked Councillor Syrett who would not be standing in the forthcoming District Elections and this would be her last meeting.*

The meeting concluded at 14.25.



# Audit Completion Report

Bolsover District Council

Year ending 31 March 2019

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1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Committee Members  
Bolsover District Council  
The Arc  
High Street  
Clowne  
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17 July 2019

Dear Members

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in April 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0787 597 4291.

Yours faithfully

**Mark Surridge**  
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Bolsover District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

### Significant Audit Risks:

- Management override of controls
- Valuation of property, plant and equipment (PPE), investment properties (IP) and assets held for sale (AHFS)
- Valuation of net defined benefit liability

### Key Judgement Areas:

- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

## Status of our audit work

This first year audit carried out by Mazars has been challenging, given the tight timescale for us to complete the work and for management to respond to our audit queries, including the additional complications arising from the late notification of a national issue regarding potentially material adjustments to pension valuations, as described in Section 2. We have, though, substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the matters outstanding, which we will continue to work on up to the date of the Committee's meeting, include:

- Finalising our work in testing the significant risk areas identified in our relating to the PPE and IP valuations, including clearing our queries with the Council's valuer and other officers
- Finalising our work in relation to the significant risk areas relating to the net Pensions liability, including reviewing assurances requested from the Derbyshire PF auditor, reviewing the latest IAS19 valuation report and the disclosures in the final set of the financial statements and reviewing and acting on the latest PwC report (for NAO) on the Actuaries' work
- Receiving the outstanding requested 3rd party verifications for the Council's bank accounts and investments, and completing our testing of the Cash and Cash equivalents balances
- Clearing any remaining queries with officers
- Checking the amendments to the draft financial statements proposed by management to correct matters identified during the audit.
- Clearing any remaining quality control points and completing the remaining audit closure steps.

We will update the Audit Committee at its 29 July 2019 meeting on these and any other matters arising from the audit.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Audit Committee in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £1,464k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, was at to leave materiality at the same value. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee), at the planning stage of the audit at £44k (3% of materiality), and again our final assessment has been to keep this threshold at the same value.



# 1. EXECUTIVE SUMMARY

## Key findings of our work

As we outline below, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing, subject to completing the remaining audit procedures, an unqualified opinion, without modification, on the amended financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions from local electors.

## Misstatements and internal control recommendations

At Section 3 we have confirmed that, based on the audit work completed to date, there are no identified significant control deficiencies we are required to report to the Audit Committee..

At Section 4 we have summarised the audit misstatements identified from the audit work to date that we are required to report to the Audit Committee.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money conclusion

Appendices

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit that include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded that the financial statements have been prepared in accordance with the financial reporting framework and provide commentary on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration and reported these to you in our Audit Strategy Memorandum. Our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management  
override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

#### How we addressed this risk

We addressed this risk by:

- Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;
- Evaluating the business rationale for any significant transactions outside the course of the business;
- Understanding the oversight given by those charged with governance of management process over fraud;
- Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud;
- Considering whether the Council's accounting policies are consistent with industry standards;

#### Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

- Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;
- Sample test accruals and provisions based on established testing thresholds; and
- Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of property, plant and equipment, investment properties and assets held for sale

### Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

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### Relevant account balances

Where relevant, Cost of Services (Expenditure) for any impairment charges

Those items of Property, Plant and Equipment held at valuation being Council Dwellings, Other Land and Buildings and Surplus Assets as described in Note 11.

Assets Held for Sale

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### How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum.

We addressed this risk through performing the following audit work:

- Reconciling valuations from the valuer's report had been recorded in the Fixed Asset Register
- Testing a sample of assets valued during the year to valuation reports
- Where material, testing the basis for impairment of assets, the value and correct accounting treatment
- Critically assessing the Council's valuer's scope of work and methodology used
- Considering the impact of any assets not valued during the year

In our Audit Strategy Memorandum we also said we would test a sample of capital expenditure in 2018/19 where material to confirm that the additions are appropriately valued in the financial statements. This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, it formed part of our standard audit procedures.

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### Audit conclusion

Our work to date has not identified any material errors in the financial statements

Our work, however, is ongoing and we will provide an update to the Audit Committee on the day of the meeting.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of net defined pension liability

### Description of the risk

The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

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### Relevant account balances

Net defined pension liability

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### How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

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### Audit conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. Our audit work is however in progress and we will update the Audit Committee on any significant matters which affect our audit conclusion.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

The updated IAS19 valuation report received 5 July 2019, to take into account the implications of the GMP and McCloud judgments and changes to the Pension Fund's asset values at 31 March 2019, included material differences to the original report used to prepare the draft financial statements. Management is to amend the draft financial statements for these differences. We have summarised the amendments at page 11.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Key area of management judgment

Provision for business rate appeals against the rating list

### Description of the judgment

The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

### How we addressed this management judgement

We addressed this judgment through by:

- Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; and
- Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability.

### Audit conclusion

Our audit procedures relating to the Council's provision for business rate appeals have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention.

### Key area of management judgment

Minimum Revenue Provision (MRP)

### Description of the judgment

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

### How we addressed this management judgement

We addressed this judgment through performing the following audit work:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Confirming that any charge has been accounted for in accordance with the Code.

### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements in relation to the Council's MRP

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 May 2019 deadline and were complete. We also received the requested working papers ahead of our audit visit and officers have responded to audit queries and requests for additional information as the audit has progressed.

### Significant difficulties during the audit

During the course of the audit we had the full co-operation of management and staff. We will meet with officers ahead of the 2019/20 audit to provide feedback on the detailed working papers and any improvement opportunities for other areas related to the accounts production and audit processes.

There was one matter which has required us to carry out additional audit work this year. This related to the actuarial valuation of the Pension Liability and, as explained on page 7, impacted all local authorities and participants in a local government pension scheme. The Council prepared the draft financial statements based on guidance that had been issued at the time, however our view was that the actuarial valuations should have taken into account both the McCloud and GMP judgements. We raised our concerns at an early stage, however this is a complex area, required third party input, and within compressed reporting deadlines meant that the work performed presented some challenges for all parties.

We will discuss with management the impact of these and any other matters arising on the audit fee for the year and update the Audit Committee if a fee variation application to Public Sector Audit Appointments is required.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.



# 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

At this stage, based the audit work carried out, we have not identified any significant control deficiencies that we are required to report to you. We will update the Audit Committee at its 29 July 2019 meeting if there are any matters arising from that work that we are required to report.



## 4. SUMMARY OF MISSTATEMENTS

We set out below, based on the work completed to date, the material misstatements which have been amended in the final financial statements. There are no unadjusted misstatements above the level of our trivial threshold of £63k which we are required to report to you.

We will update the Audit Committee if any further reportable misstatements are identified from the remaining audit work in progress.

### Material misstatements 2018/19

The table below summarises the amendments being made to the draft financial statements.

		Draft Financial Statements	Amended Financial Statements
		£'000	£'000
1	Balance Sheet - Net Pension Liability	49,276	51,366
	Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	3,940	4,638
	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,093	1,102
	Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure: Re-measurement of net Defined Benefit Pension Liability	6,975	8,358
<p>The draft financial statements have been amended to reflect updated figures as a result of a revised July 2019 actuarial valuation, taking into account assumptions for the potential impact of Guaranteed Minimum Pension equalisation and the outcome of the 'McCloud' judgement relating to the 2014 reforms of the LGPS benefit structure, and actual performance of the pension fund to 31 March 2019. There are also additional consequential changes to the Pension Fund note, but none of these items impact the Council's useable balances carried forward.</p>			

## 5. VALUE FOR MONEY CONCLUSION

### Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

### Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we did not identify any significant risks to our VFM conclusion.

### Matters kept under review

We did identify in our Audit Strategy Memorandum the following matter which we needed to keep under close review:

- Financial sustainability - the 2020/21 onwards financial position is uncertain, which is a common issue for all bodies in the local government sector. The current service demands and funding assumptions indicate a likely shortfall in those years with nearly £1m savings required by 2020/21. The Council was revisiting its budget and setting up a transformation team and programme which is expected to generate proposals to bridge the gap. We needed to monitor the progress made and revisit position in relation to this significant risk before forming our VFM conclusion.
- Commercial Property Investment Strategy – the initial proposals considered by members were being developed further with a view to ensuring the Council has a clear strategy and established governance arrangements for properly considering options and opportunities. The Executive considered the latest strategy in February 2019 and we needed to keep a watching brief on these activities.

Before drawing our conclusion, we have:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2019/20:
  - Revenue and Capital budgets and Medium Term Financial Plan
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Discussed the Transformation Programme arrangements with managers and reviewed progress monitoring reports
- Continued to monitor steps taken in relation to the commercial property investments and confirmed that there are no significant matters relevant to our VFM conclusion
- Updated our overall risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the general findings from our audit work in other areas.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

### Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP  
45 Church Street  
Birmingham  
B2 3RT

17 July 2019

Dear Sirs

### **Bolsover District Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Bolsover District Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Interim Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

#### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

#### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

#### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### Fraud and error

I acknowledge my responsibility as Interim Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

#### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's related parties and all related party relationships and transactions of which I am aware.

#### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

#### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Interim Section 151 Officer

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### Independent auditor's report to the members of Bolsover District Council

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Bolsover District Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Bolsover District Council as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

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

##### Conclusions relating to going concern

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

- the Interim Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Interim Section 151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Interim Section 151 Officer for the financial statements

As explained more fully in the Statement of the Interim Section 151 Officer's Responsibilities, the Interim Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Interim Section 151 Officer is also responsible for such internal control as the Interim Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Section 151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Interim Section 151 Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

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

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

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

We have nothing to report in these respects.

### Conclusion on Bolsover District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, Bolsover District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

#### Responsibilities of the Council

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

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

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

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

### Use of the audit report

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

### Certificate

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

### Mark Surridge

For and on behalf of Mazars LLP

45 Church Street  
Birmingham  
B3 2RT

July 2019

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# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

### **Mark Surridge**

Director

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**Bolsover District Council****Audit Committee****29<sup>th</sup> July 2019****Internal Audit Consortium 2018/19 Annual Report to Bolsover District Council****Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2018/19 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit
- Comment on the results of the internal quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

**1 Report Details**

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2018/19 internal audit plan. The appendix shows for each report the overall assurance level on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report assurance levels can be summarised as follows:

<b>Assurance Level</b>	<b>Number of Reports 2018/19</b>	<b>Percentage 2018/19</b>	<b>Number of Reports 17/18</b>
Substantial	24	62 %	16
Reasonable	13	33 %	12
Limited	2	5 %	1
Inadequate	0	0	0
N/A	0	0	1
<b>Total</b>	<b>39</b>	<b>100</b>	<b>30</b>

- 1.2 A definition of the above control levels is shown in Appendix 1.
- 1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2018/19		2019/20
	Plan	Actual	Plan
Cost per Audit Day	£287	£256	£285
Percentage Plan Completed (BDC)	96%	98%	96%
Sickness Absence (Days per Employee)	8.0 (Corporate Trigger)	2.1	8
Customer Satisfaction Score (BDC)	85%	93%	85%
To issue internal audit reports within 10 days of the close out meeting. (BDC)	90%	100%	90%
Number/proportion of audits completed within time allocation (BDC)	80%	90%	80%
% 2017/18 Agreed recommendations implemented (BDC)	80%	85%	80%
Quarterly reporting to Audit Committee	100%	100%	100%

## **OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT**

- 1.5 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisations framework of Governance, risk management and control.
- 1.6 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council’s framework for governance, risk management and control for the year ended 2018/19.
- 1.7 Assurance can never be absolute. In this context “reasonable assurance” means that arrangements are in place to manage key risks and to meet good governance principles, but there are a few areas where improvements are required.

- 1.8 Overall 95% of the areas audited received substantial or reasonable assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 1.9 There were 2 limited assurance reports issued during the year (Health and Safety and Property Services compliance). Management have agreed the recommendations and have either implemented them or are working towards implementing them.
- 1.10 Members will also be aware of risk areas that are detailed on the Council's Strategic Risk Register i.e.:-
- Changes in Legislation/impact of Brexit
  - Budget Challenges
  - Operational service failure
  - Staff morale and recruitment difficulties
  - Delivery of major initiatives / projects
  - Emergency Planning and Business Continuity Arrangements
  - Cyber crime
  - Lack of strategic direction
  - Data protection failures
  - Governance arrangements
  - HS2 Preparation and Delivery
  - Safeguarding arrangements
  - Local plan found unsound
- 1.11 These risks are all managed corporately and controls put in place to mitigate risk where possible.

#### **ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT**

- 1.12 The internal control issues arising from audits completed in the year have been reported to the Joint Head of Service (Finance and Resources) for consideration during the preparation of the Annual Governance Statement. There has been two Limited Assurance reports (Health and Safety and Property Services Compliance) it was felt that sufficient progress had already been made to implement the recommendations negating the need to include these on the Annual Governance Statement as significant issues.

#### **COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN**

- 1.13 The Internal Audit Plan for 2018/19 was approved by the Audit Committee on the 10th April 2018. 98% of the 2018/19 planned audits have been completed and reported upon. The one remaining audit from 2018/19 is a review of the dog warden service that has been deferred to 2019/20. As there has been a resourcing issue in housing the Housing Repairs (voids) audit was postponed until 2019/20 and in its place an audit of cash and bank took place

## **COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS**

- 1.14 During 2018/19 a self - assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.
- 1.15 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The action plan has been completed. An improvement spreadsheet has been introduced to log further improvement ideas and record the action taken.
- 1.16 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Joint Head of Service (Finance and Resources) but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.17 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
  - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
  - Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
  - All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2020.
- 1.18 The above quality control procedures have ensured conformance with the PSIAS.
- 1.19 Based on the customer satisfaction survey forms returned, the average score was 93% for customer satisfaction during 2018/19.

- 1.20 The results of the Client Officer survey for BDC was a score of 94% (33 out of a maximum of 35 - for the seven areas reviewed this represented 5 'very good' scores and 2 'good' scores).

## **REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER**

- 1.21 The Audit Charter was last reported to and approved by the Audit Committee in July 2018. A further review of the Charter is scheduled for the summer of 2020.
- 1.22 Based on the information provided in this report on the completion of the 2018/19 internal audit plan, it is considered that the requirements of the Charter were met during the year.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2018/19.
- 2.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

## **3 Consultation and Equality Impact**

- 3.1 Not Applicable.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 Not applicable.

## **5 Implications**

### **5.1 Finance and Risk Implications**

This report ensures that Members are aware of the work undertaken by internal audit during 2018/19 and the Internal Audit Consortium Managers opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

### **5.2 Legal Implications including Data Protection**

None.

### **5.3 Human Resources Implications**

None

## 6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2018/19 be noted.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <i>BDC: Revenue - £75,000</i> <input type="checkbox"/>  <i>Capital - £150,000</i> <input type="checkbox"/>  <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/>  <i>Capital - £250,000</i> <input type="checkbox"/>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the portfolio holder been informed</b></p>	N/A
<p><b>District Wards Affected</b></p>	All
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

## 8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2018/19
<b>Background Papers</b>	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

## Appendix 1

### Bolsover District Council – Internal Audit Reports Issued 2018/19

Ref	Report Title	Assurance Level 2018/19	Opinion Previous Audit
B001	Risk Management	Reasonable	Good
B002	System Security	Substantial	Substantial
B003	Money Laundering	Reasonable	Satisfactory
B004	Recruitment and Selections	Reasonable	Marginal
B005	Gifts and Hospitality	Substantial	Satisfactory
B006	Pleasley Vale Outdoor Centre	Reasonable	Good
B007	VAT	Substantial	Good
B008	Property Services Compliance	Limited	NEW – N/A
B009	Transport Follow up Part 2	Reasonable	Marginal
B010	Gas and Solid Fuel Servicing	Substantial	Satisfactory
B011	Health and Safety	Limited	Marginal
B012	Council Tax	Substantial	Substantial
B013	Cyber Security	Substantial	NEW – N/A
B014	Stores	Substantial	Good
B015	Planning Fees	Substantial	Good
B016	Treasury Management	Substantial	Substantial
B017	ICT Inventory	Reasonable	2008/09
B018	Partnership Working	Substantial	Good
B019	Right to Buy Sales	Reasonable	Good
B020	Section 106 Agreements	Substantial	Marginal
B021	Pest Control	Reasonable	Satisfactory
B022	Non Domestic Rates	Substantial	Substantial
B023	Insurance	Substantial	Good
B024	FOI / Environmental Regulations	Substantial	Satisfactory
B025	Clowne Leisure Centre	Reasonable	Reasonable
B026	Sundry Debtors	Substantial	Reasonable
B027	Payroll	Substantial	Substantial
B028	Housing Rents	Substantial	Reasonable
B029	The Tangent	Reasonable	Good
B030	Expenses and Allowances	Reasonable	Good
B031	Creditors	Substantial	Substantial
B032	Commercial Waste	Substantial	Good
B033	Housing Benefits	Substantial	Substantial
B034	Premises and Personal Licences	Reasonable	Satisfactory
B035	Cash and Bank	Substantial	Substantial
B036	Extreme Wheels	Substantial	N/A
B037	Fly tipping (back office systems)	Reasonable	N/A
B038	Joint Venture Company – Dragonfly	Substantial	N/A
B039	Disaster Recovery	Substantial	Good

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

**Bolsover District Council**

**Audit Committee**

**29<sup>th</sup> July 2019**

**Summary of Progress on the Annual Internal Audit Plan 2018/2019 and 2019/20**

**Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

- To present, for members' information, progress made by the Audit Consortium in respect of the 2018/19 and 2019/20 Internal Audit Plans. The report includes a summary of Internal Audit Reports issued since the last meeting of the committee.

**1 Report Details**

- 1.1 This report details the final reports issued in respect of the 2018/19 internal audit plan. One audit (dog wardens) has been deferred to 2019/20. The 2019/20 Consortium Audit Plan for Bolsover District Council was agreed at the Audit Committee on the 16th April 2019. The Consortium Legal Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report to the Audit Committee of each Council on progress made in relation to their annual Audit Plan.
- 1.2 Attached, as Appendix 1, is a summary of reports issued between the 6th April 2019 and the 28th June 2019. 6 reports have been issued, 3 with substantial assurance and 3 with reasonable assurance.
- 1.3 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.4 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 1.5 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

:

1.6 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee's attention.

1.7 The following 2019/20 audits are currently in progress:

- Safeguarding
- Business Continuity and Emergency Planning
- Sheltered Housing
- Clowne Leisure Centre
- Corporate Targets

## **2 Conclusions and Reasons for Recommendation**

2.1 To inform Members of progress on the Internal Audit Plans for 2018/19 and 2019/20 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

## **3 Consultation and Equality Impact**

3.1 None.

#### **4 Alternative Options and Reasons for Rejection**

4.1 None.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

5.1.1 The regular reporting of the progress made by the Internal Audit Consortium enables Members to monitor progress against the approved internal audit plan.

##### **5.2 Legal Implications including Data Protection**

5.2.1 None.

##### **5.3 Human Resources Implications**

5.3.1 None.

#### **6 Recommendation**

6.1 That the report be noted.

#### **7 Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

**8 Document Information**

Appendix No	Title
1	Summary of Internal Audit reports issued in respect of the 2018/19 and 2019/20 Internal Audit Plans 6 <sup>th</sup> April 2019 to the 28th June 2019
<p><b>Background Papers</b> (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)</p>	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

# **BOLSOVER DISTRICT COUNCIL**

Appendix 1

## Internal Audit Consortium - Report to Audit Committee

### Summary of Internal Audit Reports Issued 6<sup>th</sup> April 2019 – 28<sup>th</sup> June 2019

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
<b>2018/19 Reports</b>							
B036	Extreme Wheels	To ensure fees and charges are applied correctly. To ensure risk assessments, insurance, inventories etc. are in place.	Substantial	16/04/19	9/5/19	5 (1M 4L)	4
B037	Fly tipping (back office systems)	To ensure that there are efficient systems for logging fly tipping and allocating jobs	Reasonable	18/4/19	13/5/19	14 (1H 3M 10L)	Note 1
B038	Joint Venture Company - Dragonfly	To ensure that the Governance arrangements in respect of the company are strong and that performance is monitored	Substantial	24/4/19	16/5/19	4L	4

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B039	Disaster Recovery	To ensure that there are appropriate disaster recovery procedures in place	Substantial	30/4/19	22/5/19	1L	1
<b>2019/20</b>							
B001	Procurement	To ensure that procurement is undertaken in line with Financial Regulations, Standing Orders and EU Legislation	Reasonable	4/6/2019	25/6/2019	6 (3M,3L)	6
B002	Property Services Compliance	To review the operation of contracts for council buildings in respect of electrical, gas, legionella and asbestos testing	Reasonable	7/6/2019	28/6/2019	3 (2M 1L)	3

Note 1 – response not received at time of writing report

**Bolsover District Council**

**Audit Committee**

**29<sup>th</sup> July 2019**

**Implementation of Internal Audit Recommendations**

**Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

- To present, for Members' information, a summary of the internal audit recommendations made and implemented for the financial years 2016/17 - 2018/19.

**1 Report Details**

- 1.1 This report is to inform Members of the Audit Committee of the progress made in respect of implementing internal audit recommendations in order that action can be taken if progress is deemed unsatisfactory. The implementation of internal audit recommendations is also monitored quarterly at Directorate meetings.
- 1.2 Appendix 1 details the outstanding internal audit recommendations as at the end of April 2019. The front page of the Appendix provides an analysis of the number of recommendations made and implemented for the financial years 2016/17 – 2018/19.
- 1.3 The timely implementation of internal audit recommendations helps to ensure that the risk of fraud and error is reduced and that internal controls are operating effectively.

**2 Conclusions and Reasons for Recommendation**

- 2.1 To inform Members of the internal audit recommendations outstanding so that it can be assessed if appropriate and timely action is being taken.

**3 Consultation and Equality Impact**

- 3.1 None

**4 Alternative Options and Reasons for Rejection**

- 4.1 Not Applicable

## 5 Implications

### 5.1 Finance and Risk Implications

5.1.1 Regular reports on progress against the implementation of internal audit recommendations ensures compliance with the Public Sector Internal Audit Standards and allows members to monitor progress.

### 5.2 Legal Implications including Data Protection

5.2.1 None

### 5.3 Human Resources Implications

5.3.1 None

## 6 Recommendation

6.1 That the report be noted.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the portfolio holder been informed</b>	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

**8 Document Information**

Appendix No	Title
Appendix 1	Summary of Internal Audit recommendations made and implemented 2016/17 – 2018/19
<b>Background Papers</b> (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)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

**Internal Audit Consortium - Report to Audit Committee**  
**Summary of Internal Audit Recommendations made and implemented 2016/17 – 2018/19**

<b>Recommendations Made</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Number of High Priority	23	0	7
Number of Medium Priority	26	48	38
Number of Low priority	17	31	69
<b>Total</b>	<b>66</b>	<b>79</b>	<b>115</b>
<b>Recommendations Implemented</b>	<b>66</b>	<b>78</b>	<b>57</b>
High Recommendations Outstanding	0	0	2
Medium Recommendations Outstanding	0	1	7
Low Recommendations Outstanding	0	0	6
Not overdue yet	0	0	43
Total Overdue Recommendations	0	1	15
<b>Percentage due implemented</b>	<b>100%</b>	<b>99%</b>	<b>79%</b>

<b>Audit</b>	<b>Recommendation Outstanding</b>	<b>Priority</b>	<b>Managers Comment</b>
Food Hygiene Enforcement – November 17	<p>An overarching quality assurance process for food safety should be documented with consideration of FSA requirements and, as a minimum, an overview of the following areas:</p> <ul style="list-style-type: none"> <li>- Overview of the work programme process to ensure all premises are timely inspected and reviewed,</li> <li>- Monitoring progress of the planned intervention programme,</li> <li>- Peer review frequencies and requirements,</li> <li>- Adhoc reviews of inspections by EHO's to ensure availability and full completion of inspection / audit paperwork</li> <li>- Consideration of internal performance indicators including issuing of 'stickers' within 14 days.</li> </ul>	Medium	Due to other work priorities this work process is still ongoing and will be progressed during 2018/19 and 2019/20

Risk Management – May 2018	The information requirements for operational risk registers should be reviewed to ensure that responsibilities are allocated to designated officers with respective timescales for the implementation of agreed actions to mitigate risk. Monitoring should then take place to ensure that agreed actions are taken and the risk score revised appropriately.	Medium	The information requirements have been reviewed. Monitoring is to take place to ensure that agreed actions are taken and risk scores reviewed regularly.  The Strategic Director (People) is currently reviewing risk management arrangements
Risk Management – May 2018	Operational risk registers should be regularly reviewed at Service Team Meetings to ensure all current risks and potential actions for mitigation are considered	Medium	Managers have been reminded at quarterly Directorate meetings that their operational risk registers should be reviewed at team meetings. Checks are to be performed to ensure that this is happening.  The Strategic Director (People) is currently reviewing risk management arrangements
Risk Management – May 2018	With the implementation of the revised management structure, it should be ensured that there is an operational risk register for each service area.	Medium	An exercise is to be undertaken to ensure that all service areas have a comprehensive operational risk register.  The Strategic Director (People) is currently reviewing risk management arrangements
Risk Management – May 2018	Consideration should be given to the determination of the most	Low	The Strategic Director (People) is currently reviewing risk management arrangements

	important business critical suppliers to undertake an element of checking supplier health to provide additional assurance to the risk management process.		
Money Laundering – June 18	In line with the policy requirements, a periodic review of the Money Laundering Policy is required to ensure that it adequately reflects current legislation. The review should include, but not be limited to: <ul style="list-style-type: none"> <li>• Anti-Money Laundering Regulations 2017 <ul style="list-style-type: none"> <li>-Current roles &amp; responsibilities</li> <li>-Risk areas</li> <li>-Training requirements, schedule and documentation required</li> <li>Customer due diligence</li> </ul> </li> </ul>	Medium	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	A Compliance Officer should be formally appointed to oversee compliance, policies and procedures and ensure adhered to the new Money Laundering Regulations 2017.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	Once the Anti-Money	Medium	The Officer responsible for implementing these

	<p>Laundering policy has been updated and approved (as per R1 and R2 above), staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness of the policy going forward. The policy should also be made available to wider employees via the intranet.</p>		<p>recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People</p>
<p>Money Laundering – June 18</p>	<p>Reporting of Money Laundering incidents and limits of cash that can be accepted needs to be consistent across all staff guidance and related policies/policy to ensure potential issues are promptly dealt with in line with AML regulations.</p>	<p>Low</p>	<p>The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People</p>
<p>Money Laundering – June 18</p>	<p>A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them</p>	<p>Low</p>	<p>The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People</p>

	updated and refresh their knowledge.		
Money Laundering – June 18	The Anti-Money Laundering Compliance Officer (as recommended as part of R2) should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular or large payments of cash with a view to highlighting and reporting any potential instances of money laundering.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Transport Part 2 – July 2018	The range of reports required from the Tranman system are considered to determine the most cost effective way of producing a functional library of operational reports.	Medium	SB\PB to assess current report library and modify these where required by way of internal Crystal Report capability or Civica Tranman support.  A further Internal Audit Review is due to take place in 2019/20
Transport Part 2 – July 2018	That a formal decision is made about progressing the interface between the Civica Financial and Tranman systems; potentially creating back office efficiencies.	Low	Further work to be undertaken to establish interfaces; however, where resource demand and/or cost of establishing is too onerous, then consideration will be given to not using the facility.  A further Internal Audit Review is due to take place in 2019/20

Health and Safety – July 18	<b>Restated:</b> Ensure that health and safety training information is accurately reported to Members of the Health and Safety Committee at Bolsover District Council and to report regularly to Members of the Joint Consultative Group at North East Derbyshire District Council, as per R2 this should be made easier when records are held in one comprehensive and central record.	Medium	March 19 – on going checking of figures to ensure accurate reporting. Coding commenced for training courses to be added to HR21 to enable traceability of attendees.  A further Internal Audit Review is due to take place in 2019/20.
Health and Safety – July 18	<b>Restated:</b> Create one corporate, comprehensive and centrally held record and maintain for recording all health and safety training data which is regularly updated to continually provide an accurate position for all members of staff.	High	March 19 – Coding of courses to be added to HR21 has commenced with HR  A further Internal Audit Review is due to take place in 2019/20.
Health and Safety – July 18	<b>Restated:</b> The Health and Safety Manager should ensure that work place inspection documentation is comprehensively maintained, revisited and updated to ensure the following are easily identified:	High	March 19 – Process improved to empower managers to own workplace inspections for their area. H&S have devised a flowchart to outline the new format. Once approved by Joint Head of Service for Corporate Governance, a briefing note will be issued to managers outlining their responsibilities in this revised

	<ul style="list-style-type: none"><li>• Location</li><li>• Planned Inspection Date</li><li>• Actual Inspection Date</li><li>• Actions Identified</li></ul> Actions Implemented		procedure.  A further Internal Audit Review is due to take place in 2019/20.
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**Bolsover District Council**

**Audit Committee**

**29<sup>th</sup> July 2019**

**Bolsover District Council – Statement of Accounts 2018/19**

**Report of the Chief Accountant and S151 Officer**

This report is public

**Purpose of the Report**

- The Committee is asked to approve the audited Statement of Accounts for 2018/19, circulated as **Appendix 1**.

**1 Report Details**

- 1.1 The outturn position for the Council has previously been reported to the Council's Executive and Budget Scrutiny Committee. The Mazars external audit team has been undertaking work on the Statement of Accounts during May, June and July. The outcome of this work is set out in the External Auditor's Report which is another item on this agenda.
- 1.2 **Appendix 1** to this report is the Council's Audited Statement of Accounts for 2018/19. There may be some minor changes still requested by the external auditor – which if required will be reported verbally at the committee meeting. It is anticipated however, that there will be only limited changes between the version at appendix 1 and the final Statement of Accounts for 2018/19.
- 1.3 Given the possibility that issues raised may require the Statement of Accounts to be amended, it is recommended that delegated powers be given to the Chief Financial Officer in consultation with the Chair or Deputy Chair of this Committee to agree any final changes to the Council's Statement of Accounts 2018/19. It should be noted that the only changes made under these delegated powers will relate to amendments agreed with the Council's external auditors Mazars.

**2 Conclusions and Reasons for Recommendation**

- 2.1 The external audit process for 2018/19 has now concluded and the accounts as amended have been given an unqualified audit opinion. The outcome of the audit is summarised in the external auditor's report to those charged with governance which appears elsewhere on the agenda.

**3 Consultation and Equality Impact**

- 3.1 There are no consultation and equality impact implications from this report.

#### 4 **Alternative Options and Reasons for Rejection**

4.1 There are no alternative options for consideration.

#### 5 **Implications**

##### 5.1 **Finance and Risk Implications**

There are no additional financial implications arising from this report.

##### 5.2 **Legal Implications including Data Protection**

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations. It should be noted that the Council is required to complete and approve the audited Statement of Accounts by the end of July.

##### 5.3 **Human Resources Implications**

There are no Human Resource implications arising from this report.

#### 6 **Recommendations**

6.1 That the Audit Committee approve the audited Statement of Accounts in respect of 2018/19.

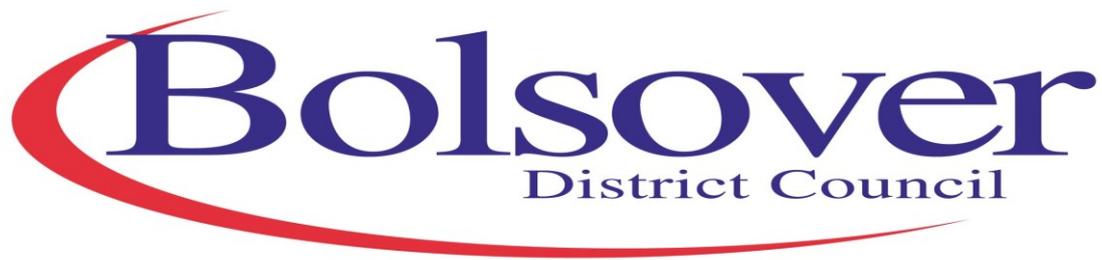
6.2 That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of the Audit Committee to agree any changes agreed with the Council's external auditors Mazars, which may be necessary to ensure the completion of the Statement of Accounts by 31 July 2019.

#### 7 **Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has relevant Portfolio Member been informed?</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

8 **Document Information**

Appendix No	Title
1	Bolsover District Council – Statement of Accounts 2018/19
<b>Background Papers</b> (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
Theresa Fletcher – Chief Accountant and S151 Officer	01246 242458



**Statement of  
Accounts  
2018/19**

**Running Order of the Statement of Accounts Document**

**Narrative Report**

**Introduction to the Statements**

**Statement of Responsibilities for the Statement of Accounts**

**Movement in Reserves Statement**

**Expenditure and Funding Analysis**

**Comprehensive Income and Expenditure Statement**

**Balance Sheet**

**Cash Flow Statement**

**Notes to the Core Financial Statements**

- 1 Accounting Policies
- 2 Accounting Standards Issued, Not Yet Adopted
- 3 Critical Judgements in Applying Accounting Policies
- 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
- 5 Material Items of Income and Expense
- 6 Events After the Balance Sheet Date
- 7 Note to the Expenditure and Funding Analysis
- 8 Expenditure and Income Analysed by Nature
- 9 Analysis of the Movement in Reserves Statement - Adjustments Between Accounting Basis and Funding Basis
- 10 Movements in Earmarked Reserves
- 11 Property, Plant and Equipment
- 12 Investment Properties
- 13 Intangible Assets
- 14 Financial Instruments
- 15 Inventories
- 16 Capital Commitments
- 17 Debtors
- 18 Cash Flow Statement - Cash and Cash Equivalents
- 19 Assets Held for Sale
- 20 Creditors
- 21 Provisions
- 22 Usable Reserves
- 23 Unusable Reserves
- 24 Cash Flow Statement - Operating Activities
- 25 Cash Flow Statement - Investing Activities

- 26 Cash Flow Statement - Financing Activities
- 27 Cash Flow Statement - Reconciliation of Liabilities arising from Financing Activities
- 28 Trading Operations
- 29 Agency Services
- 30 Members' Allowances
- 31 Officers' Remuneration
- 32 External Audit Costs
- 33 Grant Income
- 34 Related Parties
- 35 Capital Expenditure and Capital Financing
- 36 Leases
- 37 Impairment Losses
- 38 Termination Benefits
- 39 Defined Benefit Pension Scheme
- 40 Contingent Liabilities/Assets
- 41 Interests in Other Entities
- 42 Shared Services/Joint Operations

#### **HRA Income and Expenditure Statement**

##### **Movement on the HRA Statement**

- 43 Housing Stock
- 44 Valuation of Assets
- 45 Depreciation
- 46 Major Repairs Reserve
- 47 Impairment (Including the reversal of previous years' revaluation decreases)
- 48 Capital Expenditure and Financing
- 49 Capital Receipts
- 50 Rent Income
- 51 Pension Reserve
- 52 Revenue Expenditure Funded from Capital Under Statute
- 53 HRA Debt Repayment Reserve

##### **The Collection Fund Accounting Statement**

- 54 Income from Business Ratepayers
- 55 Council Tax
- 56 Allocation of Collection Fund Surpluses and Deficits
- 57 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

##### **The Independent Auditor's Report**

##### **The Annual Governance Statement**

**NARRATIVE REPORT**

Bolsover District Council covers an area of 62 square miles with a population of 75,800 people. It operates alongside Derbyshire County Council in providing local authority services to our residents. District Council services provided include: planning; housing; street cleansing; environmental health; leisure; economic development; elections and benefits. The Council has just under 500 employees. This report outlines how the District Council has served our community during the 2018/19 financial year, covering both our service delivery and financial performance. Whilst the main emphasis is on the previous financial year (2018/19), the report also considers the ability of the Council to continue to provide sustainable services which meet local needs, and outlines how we work in partnership to enhance the prosperity of the communities we serve. With respect to our service delivery, a key partnership is the Strategic Alliance with North East Derbyshire District Council which commenced in April 2011 leading to progressively greater integration of service delivery between the two authorities.

This report is intended to provide a short summary of the Council's activities. Further information is available via the Council's website, or in other formats by request.

**The Council's Performance and Outcomes for Local Residents**

The emphasis of the Statement of Accounts which follow this narrative report is upon the financial performance of the Council. Our financial performance however, needs to be considered in conjunction with our ability as a Council to provide a sustainable comprehensive range of value for money services that meet both our statutory obligations and the needs of our area. This narrative seeks to outline some of the services and projects which the Council has delivered during the course of 2018/19, linking these to our strategic objectives and plans for the future.

The Council's vision for the district is to enhance and improve the wealth profile, well-being and quality of life for the communities of Bolsover District.

The Council has four strategic aims designed to deliver this vision through priorities that cover the life of the Corporate Plan (2015-2019). In order to better understand how the Council has performed during the course of the current financial year, the table below sets out headline progress against the Council's agreed Strategic Aims and Priorities. This is the last year of the Corporate Plan 2015-19 and excellent progress has been made against this plan with most targets being achieved. Some of the targets will roll over into 2019/20 and this period will be used to develop our new corporate plan following local elections. The successful achievement of the Council's agreed priorities and targets is key to ensuring effective service delivery to local residents, whilst providing a sustainable future for the Council itself as an organisation. The Council prepares detailed reports concerning the performance against the Corporate Plan on a quarterly basis.

A summary of progress against the Corporate Plan is provided below:

Strategic aim / * Priorities	Progress against key targets
<b>Unlocking our growth potential</b>	Business growth (as measured by gross NNDR) has * increased by £5,217,083 over the corporate plan period.

<p>* Supporting enterprise</p>	<p>The Council is using a range of approaches to ensure effective partnership with the private sector. During the corporate plan period over 142 businesses have been engaged with and supported. 22 businesses * have been awarded a grant from the Bolsover Business Growth Fund, creating 25.4 full-time equivalent jobs to date. 68.82 full-time equivalent jobs have been created through LEADER funding.</p>
<p><b>Strategic aim / * Priorities</b></p>	<p><b>Progress against key targets</b></p>
<p>* Unlocking development potential</p>	<p>The Council continues to work with partners to bring * forward priority employment sites at Markham Vale, Shirebrook and the former Coalite site.</p>
<p>* Enabling housing growth</p>	<p>88 council properties have been built during the corporate plan period. Over the same period the * Council received £991,206 in New Homes Bonus grant. In 2018/19 100% of major planning applications were * completed within the statutory timeframe.</p>
<p><b>Providing our customers with excellent services</b></p> <p>* Increasing customer confidence and satisfaction with our services</p> <p>* Improving customer contact and access to information</p> <p>* Promoting equality and diversity</p> <p>* Supporting vulnerable and disadvantaged people</p>	<p>Customer satisfaction levels are good across a range of Council services with scores over 80% for Contact * Centres and Leisure Services. The Customer Service Excellence standard has been retained following a successful annual inspection April 2018. The Council provides 4 contact centres, supported by telephony and internet access to services. The * webchat facility continues to be popular and online transactions continue to grow. Bolsover TV has been launched which provides information in an innovative way and encourages investment in the district. A new single equality scheme for the period 2019-2023 has been produced and an evaluation document published for the 2015-2019 scheme. The * Council has produced Transgender guidance for its staff in leisure services and continues to promote reporting of hate incidents. During 2018/19 the Council received 232 approaches from people seeking assistance of which 156 (67%) were prevented from becoming homeless. Processing times for new Housing Benefit and * Council Tax Support claims were quicker than the target. Very good levels of satisfaction continue to be recorded for parenting and domestic violence support given to clients.</p>

<ul style="list-style-type: none"> <li>* Providing good quality council housing where people choose to live</li> </ul>	<p>55 council properties have been built during 2018/19 as part of the Council's b@home scheme. This brings the total to 88 during the corporate plan period. 300 disability adaptations have been made to the housing stock.</p>
<p><b>Supporting our communities to be healthier, safer, cleaner and greener</b></p> <ul style="list-style-type: none"> <li>* Improving health and well-being by contributing to the delivery of Healthy Bolsover priorities</li> <li>* Increasing participation in sport and leisure activities</li> </ul>	<p>The referral team has seen 764 clients at a number of different locations including Go Active @ The Arc, Shirebrook Leisure Centre and Welbeck Road Doctors Surgery.</p> <p>9,223 hours of positive activity through community based culture and leisure engagement per year. Over 389,000 attended our leisure services in 2018/19. Both exceeding their targets.</p>
<p style="text-align: center;"><b>Strategic aim / * Priorities</b></p>	<p style="text-align: center;"><b>Progress against key targets</b></p>
<ul style="list-style-type: none"> <li>* Working with partners to reduce crime and anti-social behaviour (ASB)</li> </ul>	<p>In 2018/19 we supported a total of 13 events with partners. We continue to deliver our Building Resilience programme with partners and are performing well against all strands of activity.</p>
<ul style="list-style-type: none"> <li>* Increasing recycling</li> <li>* Developing attractive neighbourhoods</li> <li>* Ensuring a high standard of environmental maintenance and cleanliness</li> </ul>	<p>We are predicting a recycling and composting rate of 40% for 2018/19 (Target 49% by March 2019).</p> <p>Four town centre action plans have been developed.</p> <p>97.5% of streets surveyed for litter cleanliness and 99.5% of streets surveyed for dog fouling, achieved their required targets. In addition 15 initiatives were undertaken targeting dog fouling, littering or fly tipping.</p>
<p><b>Transforming our organisation</b></p> <ul style="list-style-type: none"> <li>* Supporting and engaging with employees</li> <li>* Making the best use of our assets</li> <li>* Demonstrating good governance</li> <li>* Ensuring financial sustainability and increasing revenue streams</li> <li>* Transforming services through the use of technology</li> </ul>	<ul style="list-style-type: none"> <li>* We have launched a new transformation programme which employees form an integral part of. The Council has modernised its asset base over the last 5 years and is minimising costs by securing high occupancy levels in its commercial properties. The Council has made very good progress in converting the use of its garage sites with 38 sites in various stages of conversion. The Council has appropriate Governance /management arrangements in place to ensure accountability and value for money. In 2017/18 the Derbyshire Business Rates pool, of which we are a member, was successful in its 100% Business Rates pilot bid for 2018/19. This ensures more business rates income is retained locally.</li> <li>* In 2018/19 a total of 2,350 online transactions were carried out with 1,556 residents now having online accounts. Webchat continues to be popular and the Council has recently launched Bolsover TV to provide information, promote the district and encourage investment.</li> </ul>

<p>* Actively engaging with partners to benefit our community</p> <p>Maximising opportunities with North East Derbyshire District Council through the Strategic Alliance</p>	<p>* The Council actively engages with the private sector, other public agencies and local groups in order to optimise the impact of partner activity on our local community.</p> <p>* The Council continues to work in partnership to secure cost effective services through the Strategic Alliance.</p>
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While the above table is invariably a 'snapshot' which cannot fully cover the range of Council activities and outcomes, I take the view that it is consistent with a conclusion that during 2018/19 the Council provided a wide range of value for money services to local residents. It is particularly pleasing to note that we have made continued progress in addressing both our Economic Growth and Transformation agendas and in progressing the aims of our Corporate Plan. These actions are key to developing income streams to support Council services, to helping secure the wider economic prosperity of the District, to providing cost effective and efficient services and to offering residents a range of accessible customer focussed services. Alongside its responsibility for the direct provision of a range of services the District Council recognises the role of a wide range of other organisations in promoting the well being of our community. Accordingly it works with a range of partners to ensure that residents benefit from good services from a wide range of public sector providers. Our performance management arrangements mean we are well placed to identify and address areas of concern before they escalate into matters which could undermine service delivery.

On the basis of successful progress against the Corporate Plan, I am of the view that the Council can continue to successfully deliver against its Strategic Aims and Priorities over 2019/20 when a new plan will be developed and published. It is particularly pleasing to note that the Council has over the past year, made good progress in delivering a number of key projects. These include working with partners to progress the regeneration of the former Coalite works, a key site adjacent to the M1 Motorway. Attendances at our Go!Active leisure facility at Clowne have exceeded targets. We work closely with both the D2N2 and Sheffield City Region and have good partnership working with both the private sector and other public agencies. With respect to our housing service, we have now completed 88 properties, with a further 15 planned. We have also achieved our targets for optimising business growth (as measured by gross NNDR) and new homes bonus grant, and created over 90 full-time equivalent jobs through our Business Growth Fund and support for LEADER approach.

As part of the Performance Management Framework we systematically collect details of complaints and compliments. This information allows us to address any specific issues that have arisen and also to better understand where services are in need of improvement. We have in place a formal Customer Service Code of Practice and Standards and have been accredited for Customer Service Excellence for a number of years. On the basis of the information collected by the Council, our services including housing, the contact centres and leisure, receive good satisfaction ratings.

The longer term sustainability of both our service delivery and the Council's financial position are protected by Corporate, Service and Financial Plans which cover a four year period. These are supported by a Risk Management Framework which identifies and mitigates the Strategic and Operational risks which could hinder or prevent our plans being achieved. Although the Council can do much to manage the risks it faces, it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key Strategic Risks include:

- The requirement to adapt to legislative change which may require an enhanced range of services, may reduce the financial resources available to the Council, or may impact on our ability to provide services which meet local needs.
- In common with the wider public sector we are required to manage the ongoing impact of the austerity agenda. These pressures need to be carefully managed to mitigate the impact on service provision, to ensure we balance the budget and to maintain effective governance and internal control arrangements.
- Our ability to attract and retain the staff required to operate an effective Council.

- The direct or indirect impact of wider factors such as economic recession upon local communities, the loss of a major employer, or an Emergency Plan / Business continuity / Cyber Crime issue.
- The implementation of Brexit continues to create uncertainties concerning national economic conditions, legislative change and whether European Union funding streams will be replaced.
- HS2 will have a significant impact on the visual amenity of the district, disruption to businesses, home owners and communities without considerable environmental mitigation measures.

To facilitate the effective identification of risk there is an embedded culture of risk management in place across the Council. This will help mitigate the threat that those risks which materialise will prevent the achievement of Strategic Aims / Priorities or Key Targets.

## **Financial Performance**

### **General Fund**

The Council's main revenue account is known as the General Fund which includes the cost of all services with the exception of Council Housing. The General Fund budget is supported by the council tax which for 2018/19 was increased by 2.99%. This resulted in a Band D Council Tax charge of £171.17 in respect of services provided by Bolsover District Council.

During the year the Council continued with its focus on achieving economic growth and business transformation as the most appropriate mechanisms for securing the financial savings required by the austerity agenda, whilst protecting the level of services delivered to local residents. In particular :

- Efficiencies generated by the Council during the year through robust financial management have helped offset the impact of continued reductions in Government funding.
- The Business Rates retention scheme and the membership of the Derbyshire Business Rates Pool has secured additional income from being part of the Derbyshire Business Rates Pilot for 2018/19. This was for one year only and future income remains subject to fluctuation and brings with it a higher level of risk.
- The Council's new Transformation Plan was launched with the vision of the Transformation Plan to be a self-sustaining Council, delivering excellent services to the community, when and how they want them. A Transformation Governance Group was established to manage, monitor and review ideas being generated.
- As part of the Transformation Plan, departments have continued to review how they deliver services, re-engineering processes and procedures in order to generate efficiency savings.
- Further joint working arrangements have been agreed between Bolsover District Council and North East Derbyshire District Council often in response to opportunities arising from the vacancy management process.
- A vacancy management process has been maintained throughout the year accompanied by careful management of all non-employee costs.

A combination of the above actions and effective budget monitoring, endorsed by both Elected Members and employees, has enabled savings to be identified and secured, whilst protecting both services to the public and our internal control arrangements. By the close of the financial year the Council had increased the contribution to the Transformation Reserve by £1.804m. Although this represents a significant financial gain it does need to be recognised that much of the benefit arose from 'one off' savings, rather than from a reduction in the underlying level of expenditure. However, this enhancement in the level of balances is a major achievement given that the Council is facing a savings target of £4.4m in the period to March 2023.

As detailed below, the net cost of services outturn position of £7.866m was £1.320m lower than the budget forecast:

	Current Budget	Outturn	Variance
	2018/19	2018/19	2018/19
	£000	£000	£000
People Directorate	5,913	4,913	(1,000)
Place Directorate	3,273	2,953	(320)
Net Cost of Services	9,186	7,866	(1,320)

The actual net cost of services shown above links to the net expenditure chargeable to the General Fund Balance in the Expenditure and Funding Analysis Note. The Expenditure and Funding Analysis Note provides a link between the funding basis that is reported for management decision making and the statutory accounting basis as reported in the Comprehensive Income and Expenditure Statement.

The accounts that follow this Narrative Report provide further detail concerning the Council's financial performance during the previous financial year. With respect to financial balances the key thing to note is that General Fund balances remain at an amount of £2m which is a realistic level. These are supplemented by a further amount of £7.517m held in the Transformation Reserve. While much of this reserve is already committed to new projects, both the committed sums together with the unallocated balance are available to support initiatives which secure a reduction in the Council's underlying level of revenue expenditure. This level of balances puts the Council in a good position to fund Transformation Plan projects, which deliver income growth or cost savings, both of which will be necessary to meet the savings target of £4.4m identified over the period of the current Medium Term Financial Plan.

### The Housing Revenue Account (HRA)

The Housing Revenue Account is a legally separate account which ring-fences the income from council house rents. Rental income is then used to meet the costs of managing and maintaining the Council's housing stock, including the significant burden of debt (current balance £87.562m) which was assigned to the Council as part of the localisation of the HRA in March 2012. The Council continues to operate in accordance with the Government rent criteria which required an average decrease in rents to our tenants of 1% for 2018/19.

During 2018/19 the HRA cost of service was £0.385m below the approved budget. The slightly more than budgeted surplus of £0.071m was transferred into the HRA balances at the year end leaving the HRA balance as at 31 March 2019 one of £2m. In addition the Council transferred £0.314m into the HRA New Build Reserve. The HRA has other capital balances totalling £18.921m much of which are committed to funding schemes within the currently approved Capital Programme. This is considered a realistic level of balances in view of the risks facing the HRA.

	Current Budget	Outturn	Variance
	2018/19	2018/19	2018/19
	£000	£000	£000
Housing Revenue Account	10,608	10,223	(385)
Net Cost of Services	10,608	10,223	(385)

### Capital expenditure and resources

The Council has invested £16.579m on capital schemes in the year. This covers expenditure in relation to the Housing Revenue Account (£13.862m), private sector housing improvement works (£0.529m) and General Fund Capital Expenditure (£2.188m).

The main capital schemes delivered in 2018/19 by the Council were:

- New Council House building under the B@home Programme £5.449m
- Continuation of the New Bolsover Regeneration programme £5.084m.
- Investment in improving the Council's housing stock of £2.878m
- Private Sector Disabled Facilities Grants of £0.529m
- Investment in new technology and software £0.542m
- Loan to Dragonfly £1.174m

The capital programme was fully funded in the year utilising prudential borrowing (£4.022m), grants and other contributions (£3.076m) major repairs allowance (£7.183m), reserves and revenue contributions (£0.825m), and usable capital receipts from asset sales (£1.473m).

### **Treasury Management**

At 31 March 2019, the Council had a total capital financing requirement (Council debt) of £115.790m. This is a net increase in the year of £3.343m. This reflects prudential borrowing undertaken in the year, offset by debt repayment. The Council's debt is funded from the Public Works Loan Board (P.W.L.B.), with no new loans raised during the year and no principal repayment made to the PWLB. The Council has a general policy of not utilising leased assets to fund capital purchases. During the year the Council continued to operate within the limits agreed in its Treasury Management Strategy.

### **Assets**

The last full valuation was undertaken as at 1st April 2018, however, an annual desk top review by the Council of all the assets it holds is undertaken to ensure that the figures appearing in the accounts are up to date. This exercise ensures that the Statement of Accounts reflects the correct valuation of all the assets held by the Council. Adjustments are made within the Accounts to reflect these changes in asset values, but these accounting adjustments have no impact on the charges to our Council Tax payers or our housing tenants.

During 2018/19, the Council continued with the refurbishment of Bolsover Model Village to reflect its heritage status and to provide houses which meet the decent homes standard on a mixed tenure estate. A further 58 new properties have been constructed as part of the B@Home Programme at a cost of £5.449m. The properties are in Bolsover, Pinxton, Shirebrook and South Normanton.

During the year the Council sold 42 houses under the Right to Buy legislation.

### **Reserves and Balances**

The Council holds usable reserves and balances totalling £42.489m. These include general reserves of £4m (General Fund and Housing Revenue Account balances outlined earlier). Additionally, the Council has £4.357m that relates to unapplied revenue and capital grants, earmarked general fund revenue reserves of £13.518m, earmarked HRA reserves of £14.093m, capital receipts reserve of £1.250m and £5.271m major repairs reserve at 31 March 2019.

### **Collection Fund**

Business Rates

In 2018/19, £27.795m of Business Rates income was received. The one year Business Rates Pilot means after taking account of appropriate charges to the collection fund, the balance is apportioned between BDC (50%), Derbyshire County Council (49%) and Derbyshire Fire Authority (1%). During the year £25.720m was paid on account to the above parties with £0.354m being paid from the collection fund for previous years' surplus's. The Business Rates Pilot means at 31 March 2019 there is a net deficit of £0.253m. This is a surplus from the Pilot of £3.396 and the Council's share of this is £1.698m. The balance of the pool brought forward is a deficit of £3.648, the Council's share of this is £1.459m. Both of these amounts will be settled with the various parties in 2019/20 and 2020/21. The Council's net share is a surplus of £0.239m.

## Council Tax

In 2018/19 £39.463m of Council Tax income was raised. After taking account of appropriate charges to the collection fund, the balance £39.208m is shared between the precepting authorities. During the year £39.501m was precepted on the collection fund which has left a deficit in the year of £0.293m. The in year deficit was offset by a small surplus b/fwd, leaving a deficit balance on the fund at 31 March 2019 of £0.253m. This deficit will be reclaimed from the precepting authorities during 2019/20 and 2020/21. This Council's share of the deficit is £0.040m.

## Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council is that liabilities have increased by £16.515m with an increase in the fair value of assets of £5.002m. The net movement is an increase in the liability of the fund of £11.513m. The pension liability of the Council is £51.366m at 31 March 2019.

## Management Arrangements

The Strategic Alliance Management Team restructure was completed in February 2018 which reduced the number of directorates the Council operates with, from three to two. Management reporting for decision making during 2017/18 was on the three directorates basis so it was agreed to produce the statement of accounts on the three directorates basis.

From April 2018 management reporting has been on two directorates and the statement of accounts has been produced on this basis. For comparative purposes it has been necessary during 2018/19 to restate the figures for 2017/18 from three directorates to two. No changes to figures were made only the split between directorates changed.

The restated figures are shown in: the Comprehensive Income and Expenditure Statement; the Expenditure and Funding Analysis note; Note 7 the note to the Expenditure and Funding Analysis and Note 1 Accounting Policies ad) segmental analysis.

As from 1 April 2019, the post of Head of Finance and Resources at the Council is vacant. The Council has designated the Chief Accountant to be the Section 151 officer on a temporary basis until the role is filled on a permanent basis.

With respect to the role of Chief Financial Officer the revised arrangements remain fully compliant with good practice as set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2016). The Council's Chief Accountant is professionally qualified, is a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

## Outlook

In line with good practice the Council plans its finances over the Medium Term (five years). The Council regularly reviews its spending plans in the light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable over the longer term. The Council is mindful that the continued austerity programme together with legislative changes and changes due to Brexit, may have a significant impact upon its financial position in 2019/20 and future years.

While the Council faces significant financial challenges over the next five years, we have a good track record of delivering efficiencies, an experienced and well qualified management team, robust governance arrangements and a workforce committed to delivering good quality services. These key assets together with a combination of economic growth, service transformation, supported by a reasonable level of financial reserves to fund investment in service reconfiguration mean that the Council is well placed to meet these challenges. These are key factors which support my view that the Council can continue to perform effectively, whilst ensuring that it maintains a balanced budget.

### General Fund

When setting its budget in February 2019, the Council had a surplus of £0.083m for the next financial year but a shortfall of £0.975m in respect of 2020/21, £1.560m for 2021/22 rising to an estimated shortfall of £2.2m by 2022/23 at the end of the current planning period. As the first step to balancing its budget for future years the Council agreed to a Council Tax increase of 2.99%, generating additional revenue of £0.112m. A range of other potential savings have been identified and the Transformation Governance Group are currently in the process of developing the identified options. Officers do not anticipate any significant issues in resolving the budget shortfall in respect of the current financial year, however it is crucial that the savings target is met by underlying reductions in the level of expenditure. The detailed plans include the following:

- Seek to secure the increased income associated with increases in the number of homes and business premises operating in the District.
- Continued participation in the Derbyshire Business Rates Pool that will see all Derbyshire authorities benefit from growth within the County without having to pass part of this increase in income to the Government. This will enable the Council to retain a higher proportion of its Business Rates.

The Council embarked on a Transformation Programme (A programme for change) in April 2018. The plan focusses on three key areas; income generation, cost reduction and service re-design. The financial target for the plan is to achieve annual revenue savings/efficiencies of £1m by the end of 2020/21. By the end of 2019/20, with the savings and efficiencies already made along with those projects in the pipeline identified to date, the Council anticipates savings/efficiencies achieved to have reached £0.4m.

- The Council has a well established Transformation Agenda and further secondments and joint working arrangements through the Strategic Alliance will continue to be explored to secure further efficiencies.
- Continue with vacancy management arrangements to ensure that appropriate use is made of 'natural wastage' as a means to ensure the necessary level of financial savings.

### Housing Revenue Account

The Council continues to operate its HRA within the context of a 30 year business plan which shows the Council's housing operation to be sustainable over that period. The Council is working to ensure that its properties continue to meet the Decent Homes standard and provide affordable accommodation with a secure tenure which meets the housing needs of local residents. As part of this programme the Council is seeking both to maintain a high standard of housing services, whilst investing in maintaining and refurbishing existing stock.

### Capital Programme

With respect to the Capital Programme, the key schemes will include the loan to the Joint Venture - Dragonfly. With regard to the HRA, it is anticipated that in 2019/20 £2.6m will be spent on the B@Home Programme of new build Council housing. It is planned to spend a further £5.598m on upgrading and refurbishing Council properties during 2019/20.

### **Summary**

While 2018/19 has seen a continued impact from both the austerity agenda and legislative change, there is a clear awareness throughout the Council of the issues that local government is facing. A strong and effective culture of financial and performance management across the authority is in place which it is anticipated will enable us to deliver both a balanced budget together with a reduction in the underlying level of expenditure whilst maintaining standards of service. We will continue to work to ensure that this progress is maintained in 2019/20 and future years against the background of a continued challenging financial environment for local government. As a Council we are determined to work with and to meet the needs and expectations of local residents, our tenants and our key partners.

Finally, we realise the value of closing our accounts promptly to provide up to date financial information on which to base our future plans. It needs, however, to be recognised that preparing these accounts becomes increasingly complex every year as the requirements of good accounting practice continue to grow more stringent. The staff involved in this process, deserve credit for ensuring that these financial statements have been produced in a timely and professional manner. The Council has successfully prepared its accounts for audit by 17 May 2019 in line with the statutory deadline. Early closure provides the finance team with the opportunity to move on more quickly from accounts closure to work with colleagues to address the need to maintain service levels, promote economic growth and manage transformation to ensure our future financial sustainability.

**Theresa Fletcher**  
**Chief Accountant**

## Introduction to the Statements

The accounting statements that follow detail the Council's performance and have been prepared under the 2018/19 Code of Practice on Local Authority Accounting. The accounts are separated into various sections and these can be summarised as follows:

- **The Movement in Reserves Statement** – this statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.
- **The Expenditure and Funding Analysis** - (this is not a primary statement). This shows council tax and rent payers how the funding available to the Council (government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **The Comprehensive Income and Expenditure Statement** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- **The Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to fund services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to fund services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **The Cash Flow Statement (Indirect Method)** - shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **The HRA Income and Expenditure Statement** – shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which the rents are raised, is shown in the Movement on the HRA Statement.

- **The Collection Fund** – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory obligation to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

The accounts are supported by the following items:

- Statement of Responsibilities
- Statement of Accounting Policies
- Notes to the Accounts
- Annual Governance Statement

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

### **The Council's Responsibilities**

The Council is required:

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

### **The Head of Finance and Resources' Responsibilities**

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

In preparing this Statement of Accounts, the Head of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Head of Finance and Resources has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Theresa Fletcher, ACMA  
Chief Accountant

Date:

**The post of Head of Finance and Resources is currently vacant so for the 2018/19 accounts this will be signed by the acting S151 officer, the Chief Accountant.**

**MOVEMENT IN RESERVES STATEMENT**

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Earmarked Revenue Grants Unapplied £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>
<b>Balance at 31 March 2017</b>	<b>(10,612)</b>	<b>(3,368)</b>	<b>(2,064)</b>	<b>(8,787)</b>	<b>(1,390)</b>	<b>(1,930)</b>	<b>(28,151)</b>	<b>(68,148)</b>	<b>(96,299)</b>
<b><u>Movement in reserves during 2017/18</u></b>									
Total Comprehensive Income and Expenditure	1,680	6,539	0	0	0	0	8,219	(8,204)	<b>15</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 9)	(3,131)	(17,925)	945	1,250	(525)	(372)	(19,758)	19,758	<b>0</b>
<b>(Increase) / Decrease in 2017-18</b>	<b>(1,451)</b>	<b>(11,386)</b>	<b>945</b>	<b>1,250</b>	<b>(525)</b>	<b>(372)</b>	<b>(11,539)</b>	<b>11,554</b>	<b>15</b>
<b>Balance at 31 March 2018</b>	<b>(12,063)</b>	<b>(14,754)</b>	<b>(1,119)</b>	<b>(7,537)</b>	<b>(1,915)</b>	<b>(2,302)</b>	<b>(39,690)</b>	<b>(56,594)</b>	<b>(96,284)</b>
<b><u>Movement in reserves during 2018/19</u></b>									
Total Comprehensive Income and Expenditure	(4,556)	11,708	0	0	0	0	7,152	(15,642)	<b>(8,490)</b>
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 9)	1,101	(13,046)	(131)	2,266	(165)	25	(9,950)	9,950	<b>0</b>
<b>(Increase) / Decrease in 2018-19</b>	<b>(3,455)</b>	<b>(1,338)</b>	<b>(131)</b>	<b>2,266</b>	<b>(165)</b>	<b>25</b>	<b>(2,798)</b>	<b>(5,692)</b>	<b>(8,490)</b>
<b>Balance at 31 March 2019</b>	<b>(15,518)</b>	<b>(16,092)</b>	<b>(1,250)</b>	<b>(5,271)</b>	<b>(2,080)</b>	<b>(2,277)</b>	<b>(42,488)</b>	<b>(62,286)</b>	<b>(104,774)</b>

## EXPENDITURE AND FUNDING ANALYSIS NOTE

2017/18 Restated	2017/18 Restated	2017/18 Restated		2018/19	2018/19	2018/19
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
5,758	1,981	7,739	People Directorate (Note 1 ad)	4,913	2,185	7,098
(10,182)	11,447	1,265	Place Directorate - HRA	(10,223)	14,567	4,344
3,842	663	4,505	Place Directorate (Note 1 ad)	2,953	1,278	4,231
<b>(582)</b>	<b>14,091</b>	<b>13,509</b>	<b>Net Cost of Services</b>	<b>(2,357)</b>	<b>18,030</b>	<b>15,673</b>
(12,255)	6,965	(5,290)	<b>Other income and expenditure</b>	(2,437)	(6,084)	(8,521)
<b>(12,837)</b>	<b>21,056</b>	<b>8,219</b>	<b>(Surplus) or Deficit</b>	<b>(4,794)</b>	<b>11,946</b>	<b>7,152</b>
		<b>(13,980)</b>	<b>Opening General Fund and HRA Balance</b>	<b>(26,817)</b>		
		(12,837)	Plus Surplus/ less Deficit on General Fund and HRA balance in year	(4,794)		
		<b>(26,817)</b>	<b>Closing General Fund and HRA Balance</b>	<b>(31,611)</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 Restated Gross Expenditure £000	2017/18 Restated Gross Income £000	2017/18 Restated Net Expenditure £000		NOTE	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
33,248	(25,509)	7,739	People Directorate (Note 1 ad)		31,719	(24,621)	7,098
6,816	(2,311)	4,505	Place Directorate (Note 1 ad)		6,493	(2,262)	4,231
23,610	(22,345)	1,265	Place Directorate (HRA)		26,324	(21,980)	4,344
<b>63,674</b>	<b>(50,165)</b>	<b>13,509</b>	<b>Cost of All Services</b>		<b>64,536</b>	<b>(48,863)</b>	<b>15,673</b>
			<b><u>Other Operating Expenditure</u></b>				
2,873		2,873	Local Council Precepts		3,017		3,017
453		453	Payment to the Housing Capital Receipts Pool		453		453
835		835	Net Loss/(Gain) on the disposal of non-current assets		2,427		2,427
			<b><u>Financing and Investment Income and Expenditure</u></b>				
3,683		3,683	External interest payable and similar charges	<u>14</u>	3,888		3,888
1,074		1,074	Pensions interest cost and expected return on pensions assets	<u>39</u>	1,102		1,102
	(209)	(209)	Interest and investment income	<u>14</u>		(411)	(411)
	85	85	Movement in fair value of investment properties	<u>12</u>		(297)	(297)
495	(737)	(242)	Investment Properties Income and Expenditure	<u>12</u>	539	(740)	(201)
		0	Impairment Loss/(Profit) on Financial Instruments	<u>14</u>	36		36
133	(219)	(86)	(Surpluses)/Deficit on Trading Activities	<u>28</u>	149	(197)	(48)
			<b><u>Taxation and Non-Specific Grant Income and Expenditure</u></b>				
	(6,108)	(6,108)	Council Tax Income			(6,402)	(6,402)
	(3,198)	(3,198)	Non-domestic Rates Income and Expenditure			(8,265)	(8,265)
	(3,764)	(3,764)	Non-ringfenced Government Grants	<u>33</u>		(2,047)	(2,047)
	(686)	(686)	Capital Grants and Contributions	<u>33</u>		(1,773)	(1,773)
<b>73,220</b>	<b>(65,001)</b>	<b>8,219</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>76,147</b>	<b>(68,995)</b>	<b>7,152</b>
		(4,941)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	<u>23</u>			(23,969)
		(3,263)	Remeasurement of net defined benefit/liability	<u>39</u>			8,358
		0	(Surplus)/deficit on revaluation of financial assets (Available for Sale)	<u>14</u>			(31)
		<b>(8,204)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(15,642)</b>
		<b>15</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(8,490)</b>

**BALANCE SHEET AS AT  
31 March 2019**

<b>31 March 2018 £000</b>	NOTE	<b>31 March 2019 £000</b>	<b>31 March 2019 £000</b>
<b>Property, Plant and Equipment</b>			
176,155 Council Dwellings	<u>11</u>	196,071	
18,517 Other Land and Buildings		19,479	
3,599 Vehicles, Plant, Furniture and Equipment		2,991	
102 Infrastructure		107	
1,189 Community Assets		786	
3,287 Assets Under Construction		388	
1,669 Surplus Assets Not Held for Sale		<u>1,394</u>	221,216
5,460 <b>Investment Property</b>	<u>12</u>		5,993
263 <b>Intangible Assets</b>	<u>13</u>		657
63 <b>Long Term Investments</b>	<u>14</u>		1,427
64 <b>Long Term Debtors</b>	<u>14</u>		<u>64</u>
<b>210,368 Total Long Term Assets</b>			<b>229,357</b>
29,049 Short Term Investments	<u>14</u>	29,557	
0 Assets Held for Sale (PPE)	<u>19</u>	75	
116 Inventories	<u>15</u>	80	
3,929 Short Term Debtors	<u>17</u>	6,216	
6,640 Cash and Cash Equivalents	<u>18</u>	<u>5,469</u>	
<b>39,734 Total Current Assets</b>			<b>41,397</b>
(806) Short Term Borrowing	<u>14</u>	(3,803)	
(6,664) Short Term Creditors	<u>20</u>	<u>(8,416)</u>	
<b>(7,470) Total Current Liabilities</b>			<b>(12,219)</b>
(46) Long Term Creditors	<u>14</u>	(46)	
(3,205) Provisions	<u>21</u>	(2,127)	
(102,100) Long Term Borrowing	<u>14</u>	(99,100)	
(39,853) Pensions Liability	<u>39</u>	(51,366)	
(1,143) Revenue Grants & Contributions Receipts in Advance	<u>33</u>	<u>(1,121)</u>	
<b>(146,347) Total Long Term Liabilities</b>			<b>(153,760)</b>
<b>96,285 Net Assets</b>			<b>104,775</b>
(2,000) General Fund Balance	<u>MIRS</u>	(2,000)	
(22,888) Earmarked Reserves	<u>MIRS</u>	(27,611)	
(1,929) Housing Revenue Account Balance	<u>MIRS</u>	(2,000)	
(1,119) Capital Receipts Reserve	<u>MIRS</u>	(1,250)	
(2,302) Capital Grants Unapplied	<u>MIRS</u>	(2,277)	
(1,915) Revenue Grants Unapplied (Earmarked)	<u>MIRS</u>	(2,080)	
(7,537) Major Repairs Reserve	<u>46</u>	(5,271)	
<b>(39,690) Usable Reserves</b>			<b>(42,489)</b>
(57,479) Revaluation Reserve	<u>23</u>	(78,450)	
32 Available for Sale Financial Instruments Reserve	<u>14</u>	0	
(40,311) Capital Adjustment Account	<u>23</u>	(35,006)	
(64) Deferred Capital Receipts	<u>23</u>	(64)	
39,853 Pension Reserve	<u>23</u>	51,366	
1,287 Collection Fund Adjustment Account	<u>23</u>	(205)	
87 Accumulated Absences Account	<u>23</u>	73	
<b>(56,595) Unusable Reserves</b>			<b>(62,286)</b>
<b>(96,285) Total Reserves</b>			<b>(104,775)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 March 2019**

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>	NOTE	<b>£000</b>
8,219	<b>Net (surplus) or deficit on the provision of services</b>	7,152
(21,312)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<u>24</u> (21,433)
4,407	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>24</u> 5,108
<hr/>		<hr/>
<b>(8,686)</b>	<b>Net cash flows from Operating Activities</b>	<b>(9,173)</b>
265	Investing Activities	<u>25</u> 10,111
4,122	Financing Activities	<u>26</u> 233
<hr/>		<hr/>
(4,299)	<b>Net increase or (decrease) in cash and cash equivalents</b>	1,171
(2,341)	<b>Cash and cash equivalents at the beginning of the reporting period</b>	(6,640)
<hr/>		<hr/>
<b>(6,640)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>18</u> <b>(5,469)</b>

## **1 Accounting Policies**

### **Notes to the Core Financial Statements**

#### **a) General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2018/19, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. An exception to this principle is planning fee income. This is included in the year it is received without an adjustment for a proportion of applications where the final decision is given in the new year, based on the grounds of materiality.
- 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 respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue 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 debts may not 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 2018/19 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 incurred after 1 April 2007 is repaid based on the life of the asset concerned.

**f) Collection Fund**

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

**Accounting for Council Tax and NDR**

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

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

All debtor balances for the above that are past due are impaired because payments due under the statutory arrangements have not been made (fixed or determinable payments). The asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**Non-Domestic Rates Appeal**

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 or equity instrument of another entity. 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. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument 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 Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

##### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost 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. They are subsequently measured 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 financial assets held by the Council, 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.

When loans are made at less than market rates (a soft loan), 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.

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

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

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

A simplified approach can be used for certain financial assets under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be 12-month expected credit losses. The Council uses the simplified approach for trade receivables (debtors) held by the Council.

The Council is not allowed to recognise a loss allowance for expected credit loss where the counterparty for a financial asset is central government or a local authority (including parish) for which relevant statutory provisions prevent default.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured as FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

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

- instruments with quoted market prices - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.
- equity shares with no quoted market prices - an estimate based on what the Council would receive if it redeemed the shares.

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

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

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

**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 Assets**

Expenditure on non-monetary assets that do not have a physical substance but are identifiable and controlled by the Council as a result of past events (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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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.

However, the Council has a joint venture in Dragonfly Developments Limited. This is being accounted for as a fair value through profit and loss financial asset. Group accounts are not being prepared based on materiality.

**r) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other operators that involve the use of assets and resources of the operators 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 operators, with the assets being used to obtain benefit for the operators. 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:

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

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 2018/19 is 15%, (2017/18 15%). On the basis of materiality, Bolsover District Council does not include any figures for the joint crematorium 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually 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 Income line and result in a gain for 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**

Leases are classified 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**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example if there is a rent-free period at the commencement of the lease).

## **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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

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 a property or an item of plant or equipment, 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 on the same basis as rental income.

#### **v) Overheads and Support Services**

The costs of overheads and support services are charged to directorates in the Comprehensive Income and Expenditure Statement in accordance with the Council's arrangements for accountability and financial performance.

#### **w) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of good or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. A general de-minimis limit of £10,000 is applied to non-current 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 its 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 initially measured at fair value. The difference between fair value and any 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 – historic cost;
- Dwellings – current value, determined using the basis of existing use value for social housing;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

Where non property assets that have short useful lives or low values, or both, depreciated historical cost is used as a proxy for current 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 and Non-current Assets Held for Sale**

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued immediately 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 recognised losses 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 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 new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The 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 transferring 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 transferred 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, local taxation 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 effective. 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.

**ac) Fair Value Measurement**

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

**ad) Segmental Analysis**

The Council operates with two directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

People - Chief Executive (50%); Partnership team; Legal; Governance and Elections and Scrutiny; Procurement; Finance; Revenues and Benefits; Audit (client); Streetscene; ICT (client); Customer Services; Improvement Team; Leisure; Human Resources; Health and Safety; Payroll.

Place - Chief Executive (50%); Economic Development; Housing Strategy; Planning; Environmental Health; Community Safety; Housing Revenue Account; Property and Estates; Emergency Planning.

## **2 Accounting Standards Issued, Not Yet Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of the accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- *IFRS 16 Leases* - will bring most leases on-balance sheet for lessees from 2019.

- *IAS 40 Investment Property: Transfers of Investment Property* - provides further explanation of the instances in which a property can be reclassified as investment property.

- *IFRIC 22 Foreign Currency Transactions and Advance Consideration* - clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.

- *IFRIC 23 Uncertainty over Income Tax Treatments* - provides additional guidance on income tax treatment where there is uncertainty.

The Council does not anticipate that the above amendments will have a material impact on the information provided in the financial statements.

## **3 Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. Bolsover District Council is undertaking an ongoing review of its provision of services in response to known and likely future funding reductions. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired if it were necessary to close facilities and reduce levels of service provision.
- The Council has determined the impairment of its financial assets based on a range of factors including aged debt profiling of its debtors, including benefit overpayments, council tax and NDR.
- An exercise is undertaken to assess whether capital expenditure incurred enhances an asset. A further judgement is then made as to whether there is a consequent requirement to derecognise any existing value of any component of the asset. For Council Dwellings the Council derecognises a component when the expenditure exceeds 75% of the carrying value of the component. Expenditure on components below this value is impaired through the Comprehensive Income and Expenditure Statement.

**4 Assumptions Made About the Future and Other Major Sources of Estimation**  
**Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment	The Council's assets are reviewed for impairment on an annual basis by the Council's Senior Valuer. The impairment review considers the overall market conditions as well as any impairment relating to loss of economic benefit.	If the level of impairment is changed this will impact on the net worth of the Council. Impairment charges are reflected in the Accounts but are reversed through the Movement in Reserves Statement so that there is no impact on the council tax or rent payer.
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	It is estimated that the annual depreciation charge for plant and buildings, including council dwellings, would increase by £965,016 for every year that useful lives had to be reduced. As above there is no impact on the council tax or rent payer.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of accounting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the Real Discount Rate would result in an approximate 10% increase to Employer Liability resulting in an approximate monetary increase of £15,257,000.
Arrears	At 31 March 2019, the Council had a sundry debtor balance of £587,698 rents of £1,167,932, overpaid housing benefits of £1,853,148, non-domestic rates of £159,971 and council tax of £397,701. A review of impairment allowances has been undertaken based on the age of the debt, and a total allowance for impairment of £2,316,764 has been made in the Accounts.	If collection rates were to change, either positively or negatively, this would be reflected in the current years budgets as an increase or decrease in the provision requirements. Any change in the budgeted provision would impact on reserve balances. If collection rates were to deteriorate, an additional impairment of 10% on debtor balances would require an additional provision of £249,769.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-domestic rates appeal, provision	<p>The Council has made a provision in the Collection Fund of £3,897,361 for refunding ratepayers who having made an appeal against the rateable value of their property on the rating list, who achieve a successful outcome. The appeal information relates to values going back a number of years. It is not known what the knock-on effect of successful appeals for neighbouring businesses may be.</p>	<p>If appeal outcomes were considerably different to the independent assessment received, the Collection Fund would be charged with the difference. The extra cost would then be shared out amongst the major preceptors, Central Government and the Council based on their relative share. The Council's share is 50% of the provision (£1,948,681) which is held in the balance sheet.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Senior Valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 11, 12 and 13.</p>	<p>The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates - adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Britain leaving the European Union: asset values and pension liability	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a no deal Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the Council's assets or change the discount rate.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.</p>

## **5 Material Items of Income and Expense**

### 2018/19

*Remeasurement of net defined benefit/liability.* The results for the Local Government Pension Scheme for 2018/19 showed a worsened balance sheet position with a net increase in the scheme liability of £11.5m. This is largely as a result of the value of corporate bond yields being lower than 31 March 2018 which serves to increase the value on the schemes obligations. The net cost on the Comprehensive Income and Expenditure Statement is £8.4m. As detailed in note 39 this cost is not to be met by council tax payers due to accounting regulations.

*Surplus or deficit on revaluation of Property, Plant and Equipment.* The £24m surplus is mainly due to the Council dwellings increase on the annual revaluation being posted to the revaluation reserve as there remains no previous impairment to reverse. £10m has been debited to the HRA as a revaluation decrease of dwellings as no balance is available in the revaluation reserve for the assets.

*Net loss on the disposal of non-current assets.* Expenditure has been incurred on enhancing Council dwelling components where the expenditure has exceeded 75% of the carrying value. The value of £2.4m has therefore been derecognised in the Comprehensive Income and Expenditure Statement.

*Non-domestic rates income and expenditure.* In 2017/18 the collection fund deficit of £1.3m was included. In 2018/19 the equivalent figure is a surplus of £1.7m, meaning a £3m increase over the previous year. 2018/19 also includes an extra £2m of income due to the Business Rates Pilot.

### 2017/18

*Surplus or deficit on revaluation of Property, Plant and Equipment.* The £4.9m surplus is mainly due to the Council dwellings increase on the annual revaluation. This has been recognised in the revaluation reserve as there remains no previous impairment to reverse. £6.8m has been debited to the HRA as a revaluation decrease of dwellings. This is due in part to immediately writing down the cost of building 26 new Council properties to the East Midlands social housing factor of 42%. The remainder of the charge is derecognition of components within the Council dwellings as new components are added.

## **6 Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Accountant 29 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**7 Note to the Expenditure and Funding Analysis**

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

**Adjustments between Funding and Accounting Basis****2018/19**

<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	(Note 1)	(Note 2)	(Note 3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
People Directorate	1,213	940	32	<b>2,185</b>
Place Directorate - HRA	13,963	701	(97)	<b>14,567</b>
Place Directorate	688	412	178	<b>1,278</b>
<b>Net Cost of Services</b>	<b>15,864</b>	<b>2,053</b>	<b>113</b>	<b>18,030</b>
<b>Other income and expenditure from the Funding Analysis</b>	<b>(5,582)</b>	<b>1,102</b>	<b>(1,604)</b>	<b>(6,084)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>10,282</b>	<b>3,155</b>	<b>(1,491)</b>	<b>11,946</b>

## Adjustments between Funding and Accounting Basis

2017/18

Restated

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
People Directorate	1,726	285	(30)	1,981
Place Directorate - HRA	10,814	723	(90)	11,447
Place Directorate	888	432	(657)	663
<b>Net Cost of Services</b>	<b>13,428</b>	<b>1,440</b>	<b>(777)</b>	<b>14,091</b>
<b>Other income and expenditure from the Funding Analysis</b>	<b>(7,879)</b>	<b>1,074</b>	<b>13,770</b>	<b>6,965</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b>	<b>5,549</b>	<b>2,514</b>	<b>12,993</b>	<b>21,056</b>

## Adjustments for Capital Purposes

- 1) Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - **Other operating expenditure -**  
adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure -**  
the statutory charges for capital financing i.e. Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure -**  
capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net change for the Pensions Adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:
  - **For services**  
this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - **For financing and investment income and expenditure**  
the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
  - **For financing and investment income and expenditure**  
the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

● **The charge under Taxation and non-specific grant income and expenditure**

represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Segmental Income**

Income received on a segmental basis is analysed below:

	<b>2018/19</b>	<b>2017/18</b>
<b>Services</b>	<b>Income from Services</b>	<b>Restated</b>
	<b>£'000</b>	<b>Income from Services</b>
		<b>£'000</b>
People Directorate	(23,586)	(24,425)
Place Directorate - HRA	(21,543)	(21,983)
Place Directorate	(2,122)	(2,162)
<b>Total income analysed on a segmental basis</b>	<b>(47,251)</b>	<b>(48,570)</b>

**8 Expenditure and Income Analysed by Nature**

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

	<b>2018/19</b>	<b>2017/18</b>
<b>Expenditure/Income</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee benefits expenses	16,585	15,830
Other services expenses	30,858	33,021
Support service recharges to capital	(70)	(70)
Depreciation, amortisation, impairment	17,163	14,893
Interest payments	3,888	3,683
Precepts and levies	3,017	2,873
Payments to Housing Capital Receipts Pool	453	453
Loss on the disposal of assets	2,427	835
Pensions interest cost	1,102	1,074
Investment property expenditure	539	495
Impairment loss on financial instruments	36	0
Trading activities expenditure	149	133
<b>Total expenditure</b>	<b>76,147</b>	<b>73,220</b>
<b>Income</b>		
Fees, charges and other service income	(47,251)	(48,570)
Service specific government grants	(1,612)	(1,595)
	<b>(48,863)</b>	<b>(50,165)</b>
Interest and investment income	(411)	(209)
Movement in Fair Value of Investment Property	(297)	85
Investment property income	(740)	(737)
Trading activities income	(197)	(219)
Income from council tax and non-domestic rates	(14,667)	(9,306)
General government grants and contributions	(3,820)	(4,450)
<b>Total income</b>	<b>(68,995)</b>	<b>(65,001)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>7,152</b>	<b>8,219</b>

Revenue from contracts with service recipients are included in fees, charges and other service income.

## 9 Analysis of the Movement in Reserves Statement - Adjustments Between Accounting Basis and Funding Basis

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

**General Fund Balance** - The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

**Housing Revenue Account Balance** - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Major Repairs Reserve** - The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

**Capital Receipts Reserve** - The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

**Capital Grants Unapplied** - The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(2,680)	(475)			
Council tax and NDR (transfers to or from Collection Fund)	1,492				
Holiday pay (transferred to the Accumulated Absences Reserve)	(3)	16			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	564	(18,371)			(1,055)
<b>Total Adjustments to Revenue Resources</b>	(627)	(18,830)	0	0	(1,055)
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	55	2,002	(2,057)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(453)		453		
Posting of HRA resources from revenue to the Major Repairs Reserve		4,917		(4,917)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		254			
<b>Total Adjustments between Revenue and Capital Resources</b>	(398)	7,173	(1,604)	(4,917)	0
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			1,473		
Use of the Major Repairs Reserve to finance capital expenditure				7,184	
Application of capital grants to finance capital expenditure					1,080
<b>Total Adjustments to Capital Resources</b>	0	0	1,473	7,184	1,080
<b>Net transfers (to)/from Earmarked Reserves</b>	2,126	(1,389)	0	0	0
<b>TOTAL ADJUSTMENTS</b>	<b>1,101</b>	<b>(13,046)</b>	<b>(131)</b>	<b>2,267</b>	<b>25</b>

2017/18	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(2,060)	(454)			
Council tax and NDR (transfers to or from Collection Fund)	(2,436)				
Holiday pay (transferred to the Accumulated Absences Reserve)	3	4			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,573)	(13,824)			(730)
<b>Total Adjustments to Revenue Resources</b>	(6,066)	(14,274)	0	0	(730)
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		2,352	(2,352)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(453)		453		
Posting of HRA resources from revenue to the Major Repairs Reserve		5,376		(5,376)	
Reversal of statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)				(11,015)	
Creation of Reserve for the repayment of debt (transfer from the Major Repairs Reserve)				0	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	13				
<b>Total Adjustments between Revenue and Capital Resources</b>	(440)	7,728	(1,899)	(16,391)	0
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			2,844		
Use of the Major Repairs Reserve to finance capital expenditure				6,626	
Application of capital grants to finance capital expenditure					358
<b>Total Adjustments to Capital Resources</b>	0	0	2,844	6,626	358
<b>Net transfers (to)/from Earmarked Reserves</b>	3,375	(11,379)	0	11,015	0
<b>TOTAL ADJUSTMENTS</b>	<b>(3,131)</b>	<b>(17,925)</b>	<b>945</b>	<b>1,250</b>	<b>(372)</b>

**10 Movements in Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
<b>General Fund/HRA</b>							
Area Based Grant/Working Neighbourhoods Fund	(205)	40	0	(165)	29	0	(136)
Debt repayment - HRA	0	0	(12,082)	(12,082)	0	0	(12,082)
General	(438)	61	(23)	(400)	30	(52)	(422)
NDR Growth Protection	(640)	166	(1,154)	(1,628)	0	(1,689)	(3,317)
Insurance - GF	(436)	34	(90)	(492)	64	(90)	(518)
Insurance - HRA	(79)	4	(50)	(125)	46	(50)	(129)
IT and Office Equipment	(147)	63	(75)	(159)	92	(75)	(142)
Legal Costs	(135)	0	0	(135)	12	(6)	(129)
Local Development Scheme	(233)	23	(45)	(255)	16	(44)	(283)
New Build Reserve - HRA	(1,080)	915	(100)	(265)	34	(1,314)	(1,545)
Planning Delivery	(89)	5	0	(84)	28	0	(56)
Planning Fees	0		(12)	(12)	23	(109)	(98)
Transformation Reserve	(6,242)	2,007	(2,439)	(6,674)	960	(2,640)	(8,354)
Vehicle Repair and Renewal - GF	(46)	0	(13)	(59)	9	(13)	(63)
Vehicle Repair and Renewal - HRA	(305)	132	(180)	(353)	16	0	(337)
<b>Total Earmarked Reserves</b>	<b>(10,075)</b>	<b>3,450</b>	<b>(16,263)</b>	<b>(22,888)</b>	<b>1,359</b>	<b>(6,082)</b>	<b>(27,611)</b>

**11 Property, Plant and Equipment**

Movements in 2018/19	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Leased Vehicles £000	Infrastructure Assets £000	Assets Under Construction £000	Community Assets £000	Surplus Assets £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation:</b>									
At 1 April 2018	176,155	18,517	6,602	42	102	3,287	1,189	1,669	<b>207,563</b>
Additions	12,167	102	243	0	0	381	0	0	<b>12,893</b>
Revaluation increases/(decreases) recognised in the revaluation reserve	19,291	1,054	0	0	5	0	(83)	51	<b>20,318</b>
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(10,415)	(194)	0	0	0	0	(244)	(170)	<b>(11,023)</b>
Derecognition - disposals	(4,046)	0	0	0	0	0	0	(156)	<b>(4,202)</b>
Derecognition - other	(361)	0	(132)	0	0	0	0	0	<b>(493)</b>
Other movements in cost or valuation	3,280	0	0	0	0	(3,280)	(75)	0	<b>(75)</b>
<b>At 31 March 2019</b>	<b>196,071</b>	<b>19,479</b>	<b>6,713</b>	<b>42</b>	<b>107</b>	<b>388</b>	<b>787</b>	<b>1,394</b>	<b>224,981</b>
<b>Accumulated Depreciation and Impairment:</b>									
At 1 April 2018	0	0	(3,022)	(21)	0	0	0	0	<b>(3,043)</b>
Depreciation charge	(3,594)	(503)	(831)	(21)	(6)	0	0	(5)	<b>(4,960)</b>
Depreciation written out to revaluation reserve	3,218	425	0	0	6	0	0	2	<b>3,651</b>
Depreciation written out following revaluation to the surplus/(deficit) on the provision of services	277	78	0	0	0	0	0	3	<b>358</b>
Derecognition - disposal	99	0	131	0	0	0	0	0	<b>230</b>
Derecognition - other	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>(3,722)</b>	<b>(42)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,764)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>196,071</b>	<b>19,479</b>	<b>2,991</b>	<b>0</b>	<b>107</b>	<b>388</b>	<b>787</b>	<b>1,394</b>	<b>221,217</b>
<b>At 31 March 2018</b>	<b>176,155</b>	<b>18,517</b>	<b>3,580</b>	<b>21</b>	<b>102</b>	<b>3,287</b>	<b>1,189</b>	<b>1,669</b>	<b>204,520</b>

<b>Movements in 2017/18</b>	<b>Council Dwellings £000</b>	<b>Other Land and Building £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Leased Vehicles £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation:</b>									
At 1 April 2017	172,363	17,644	6,550	0	102	1,818	1,771	3,085	<b>203,333</b>
Additions	10,035	1,223	344	42	0	3,257	0	0	<b>14,901</b>
Revaluation increases/(decreases) recognised in the revaluation reserve	1,959	448	0	0	0	0	(580)	(185)	<b>1,642</b>
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(6,464)	(798)	(40)	0	0	(637)	(2)	(1,053)	<b>(8,994)</b>
Derecognition - disposals	(2,889)	0	0	0	0	0	0	(178)	<b>(3,067)</b>
Derecognition - other	0	0	(252)	0	0	0	0	0	<b>(252)</b>
Other movements in cost or valuation	1,151	0	0	0	0	(1,151)	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>176,155</b>	<b>18,517</b>	<b>6,602</b>	<b>42</b>	<b>102</b>	<b>3,287</b>	<b>1,189</b>	<b>1,669</b>	<b>207,563</b>
<b>Accumulated Depreciation and Impairment:</b>									
At 1 April 2017	0	0	(2,256)	0	0	0	0	0	<b>(2,256)</b>
Depreciation charge	(3,181)	(497)	(956)	(21)	(5)	0	0	(10)	<b>(4,670)</b>
Depreciation written out to revaluation reserve	2,865	428	0	0	5	0	0	1	<b>3,299</b>
Depreciation written out following revaluation to the surplus/(deficit) on the provision of services	253	69	0	0	0	0	0	9	<b>331</b>
Derecognition - disposal	63	0	190	0	0	0	0	0	<b>253</b>
Derecognition - other	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>(3,022)</b>	<b>(21)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,043)</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>176,155</b>	<b>18,517</b>	<b>3,580</b>	<b>21</b>	<b>102</b>	<b>3,287</b>	<b>1,189</b>	<b>1,669</b>	<b>204,520</b>
<b>At 31 March 2017</b>	<b>172,363</b>	<b>17,644</b>	<b>4,294</b>	<b>0</b>	<b>102</b>	<b>1,818</b>	<b>1,771</b>	<b>3,085</b>	<b>201,077</b>

## **Depreciation**

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

- Council Dwellings Components
  - Land - 0 years
  - Structure - 50 years
  - Roof - 50 years
  - Kitchen - 30 years
  - Windows and doors - 40 years
  - Services - 30 years
  - Externals - 25 years
- Other Land and Buildings - 10-50 years
- Vehicles, Plant, Furniture and Equipment - 5-11 years
- Infrastructure - 18-29 years
- Surplus Assets - 10-50 years

## **Effects of Changes in Estimates**

There have been no changes in estimates during 2018/19.

## **Revaluations**

The Council carries out a programme that ensures that all Property (including Investment Property), Plant and Equipment required to be measured at fair value is revalued at least every five years, supported by an annual desk-top review. All valuations for 2018/19 were carried out internally by a suitably qualified valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The last full valuation which provided values as at 1 April 2018 was undertaken in 2018/19.

## **Creswell Leisure Centre**

The Council holds Creswell Leisure Centre in trust for the benefit of the inhabitants of the District. The Council no longer occupy the building and are considering options to return the asset to the community within the next 12 months. It is therefore deemed appropriate that the asset is valued as an Available for Sale Asset on the balance sheet. The carrying value of the asset at 31 March 2019 is £75,000 (£510,000 2017/18).

**Revaluations**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Leased Vehicles</b>	<b>Infrastructure</b>	<b>Assets Under Construction</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	0	0	6,713	42	107	388	787	0	<b>8,037</b>
Valued at fair value as at:									
- 31 March 2019	196,071	19,480	0	0	0	0	0	1,394	<b>216,945</b>
<b>Total Cost or Valuation</b>	<b>196,071</b>	<b>19,480</b>	<b>6,713</b>	<b>42</b>	<b>107</b>	<b>388</b>	<b>787</b>	<b>1,394</b>	<b>224,982</b>

Details of the Investment Properties held on the balance sheet are provided in the following note.

**Fair Value Hierarchy - Surplus Assets**

Details of the Council's Surplus Assets and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

Recurring fair value measurements using:	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019  £'000
Industrial Units	126	0	126
Shops	11	0	11
Land	796	461	1,257
<b>Total</b>	<b>933</b>	<b>461</b>	<b>1,394</b>

Previous year comparative figures:

Recurring fair value measurements using:	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018  £'000
Industrial Units	315	0	315
Shops	11	0	11
Land	1,044	300	1,344
<b>Total</b>	<b>1,370</b>	<b>300</b>	<b>1,670</b>

**Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between levels 1 and 2 during the year.

**Valuation techniques used to determine Level 2 and 3 Fair Values for Surplus Assets**Significant Observable Inputs - Level 2

This has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs - Level 3

This is based on the premise that the data is not available using the market approach to make a categorisation of level 1 or 2. Therefore level 3 is based on the best information available and the assumptions that the market participants would use.

**Valuation Techniques**

There has been no change in the valuation techniques used during the year for surplus assets.

**Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy**

Land categorised within Level 3

	31 March 2019 £'000	31 March 2018 £'000
Opening balance	300	324
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	161	(8)
Additions	0	0
Disposals	0	(16)
Closing balance	<b>461</b>	<b>300</b>

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

	31 March 2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets	461	Income approach using a discounted cash flow (DCF) technique	Rent growth Vacancy levels Discount rate	Significant changes in rent growth; vacancy levels or discount rate will result in a significantly lower or higher fair value

**Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

**12 Investment Properties**

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Rental income from investment property	(740)	(737)
Direct operating expenses arising from property investment	539	495
<b>Net (gain)/loss</b>	<b>(201)</b>	<b>(242)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

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

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Balance at start of the year</b>	5,461	5,156
<b>Additions:</b>		
- purchases	0	0
- construction	0	0
- subsequent expenditure	255	507
Disposals	(20)	(117)
Net gains/(losses) from fair value adjustments	297	(85)
<b>Transfers:</b>		
- (to)/from property, plant and equipment	0	0
- (to)/from current held for sale investment property	0	0
<b>Balance at end of year</b>	<b>5,993</b>	<b>5,461</b>

**Fair Value Hierarchy - Investment Properties**

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

Recurring fair value measurements using:	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019  £'000
Office units	1,182	0	1,182
Commercial Units	4,729	82	4,811
<b>Total</b>	<b>5,911</b>	<b>82</b>	<b>5,993</b>

Previous year comparative figures:

Recurring fair value measurements using:	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018  £'000
Office units	1,197	0	1,197
Commercial Units	4,156	108	4,264
<b>Total</b>	<b>5,353</b>	<b>108</b>	<b>5,461</b>

**Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between levels 1 and 2 during the year.

**Valuation techniques used to determine Level 2 and 3 Fair Values for Investment Properties**Significant Observable Inputs - Level 2

The fair value for the level 2 investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs - Level 3

The level 3 investment properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

Some of the Council's investment properties are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonable available information that indicates that market participants would use different assumptions).

**Highest and Best Use of Investment Properties**

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

**Valuation Techniques**

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

**Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy**

Investment properties categorised within Level 3

	31 March 2019 £'000	31 March 2018 £'000
Opening balance	108	128
Transfers into Level 3	0	0
Transfers out of Level 3	(32)	0
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	6	(20)
Additions	0	0
Disposals	0	0
Closing balance	<b>82</b>	<b>108</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

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

	31 March 2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Commercial units	82	Income approach using a discounted cash flow (DCF) technique	Rent growth Vacancy levels Discount rate	Significant changes in rent growth; vacancy levels or discount rate will result in a significantly lower or higher fair value

**Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

**13 Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight line basis.

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Balance at start of year:</b>		
- Gross carrying amounts	470	412
- Accumulated depreciation	(207)	(150)
<b>Net carrying amount at start of year</b>	<b>263</b>	<b>262</b>
<b>Additions:</b>		
- Purchases	456	67
<b>Derecognition</b>	0	(9)
<b>Amortisations:</b>		
- Amortisation for the period	(62)	(63)
- Derecognition	0	6
<b>Net carrying amount at end of year</b>	<b>657</b>	<b>263</b>

## **14 Financial Instruments**

### **Financial Liabilities**

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board
- short-term loans from parish councils
- lease payables detailed in note 36
- trade payables for goods and services received.

The Council also held financial liabilities that are measured on different bases comprising:

- commitment to lend a loan to Dragonfly Development Limited.

### **Financial Assets**

The financial assets held by the Council during the year are accounted for under the following two classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand
- bank current account with Lloyds bank
- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables detailed in note 36
- trade receivables for goods and services delivered

Fair value through profit and loss comprising:

- money market funds
- equity investment in Dragonfly Development Limited (unquoted)
- loans to Dragonfly Development Limited where the cash flows are not solely payments of principal and interest.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

**Financial Instrument - Balances**

The financial instruments disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
<b><u>Financial Liabilities</u></b>				
Loans at amortised cost:				
Principal	(99,100)	(102,100)	(3,482)	(477)
Accrued interest	-	-	(321)	(329)
<b><i>Total Borrowing</i></b>	<b>(99,100)</b>	<b>(102,100)</b>	<b>(3,803)</b>	<b>(806)</b>
Liabilities at amortised cost:				
Trade Payables	(46)	(46)	(3,728)	(3,548)
<b><i>Included in Creditors *</i></b>	<b>(46)</b>	<b>(46)</b>	<b>(3,728)</b>	<b>(3,548)</b>
<b>Total Financial Liabilities</b>	<b>(99,146)</b>	<b>(102,146)</b>	<b>(7,531)</b>	<b>(4,354)</b>
<b><u>Financial Assets</u></b>				
<u>At amortised cost:</u>				
Principal	-	-	29,450	29,000
Accrued interest	-	-	109	49
Loss allowance	-	-	(2)	0
<u>At fair value through profit + loss:</u>	1,427	63	0	0
<b><i>Total Investments</i></b>	<b>1,427</b>	<b>63</b>	<b>29,557</b>	<b>29,049</b>
<u>At amortised cost:</u>				
Principal	-	-	465	(362)
<u>At fair value through profit + loss:</u>	-	-	5,004	7,002
<b><i>Total Cash and Cash Equivalents</i></b>	<b>0</b>	<b>0</b>	<b>5,469</b>	<b>6,640</b>
<u>At amortised cost:</u>				
Trade receivables	63	63	3,093	3,364
Loss allowance	0	0	(660)	(787)
<b><i>Included in Debtors**</i></b>	<b>63</b>	<b>63</b>	<b>2,433</b>	<b>2,577</b>
<b>Total Financial Assets</b>	<b>1,490</b>	<b>126</b>	<b>37,459</b>	<b>38,266</b>

\*The creditors line on the Balance Sheet includes £4,688,583 (£3,115,765 in 2017/18) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

\*\*The debtors line on the Balance Sheet includes £3,783,642 (£1,352,079 in 2017/18) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

**Financial Instruments - Gains and Losses**

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

	Financial Liabilities	Financial Assets		Total	Total
	Amortised Cost £000	Amortised Cost £000	Fair Value through Profit + Loss £000	2018/19 £000	2017/18 £000
Interest expense	3,888	-	-	3,888	3,683
<b>Interest payable and similar charges</b>	<b>3,888</b>	<b>0</b>	<b>0</b>	<b>3,888</b>	<b>3,683</b>
Interest income	-	(280)	-	(280)	(176)
Dividend income	-	-	(131)	(131)	(33)
<b>Interest and investment income</b>	<b>0</b>	<b>(280)</b>	<b>(131)</b>	<b>(411)</b>	<b>(209)</b>
Net impact on surplus/deficit on provision of services	<b>3,888</b>	<b>(280)</b>	<b>(131)</b>	<b>3,477</b>	<b>3,474</b>
<b>Net gain/(loss) for the year</b>	<b>3,888</b>	<b>(280)</b>	<b>(131)</b>	<b>3,477</b>	<b>3,474</b>

## Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Shares in Dragonfly Development Limited have been valued from the company's balance sheet net assets.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, eg bond prices
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, eg interest rates for similar instruments
- Level 3 - fair value is determined using unobservable inputs, eg non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	31 March 2019		31 March 2018	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	(99,421)	(115,208)	(102,429)	(117,359)
Other long-term loans	2	(3,482)	(3,615)	(477)	(477)
<b>Total</b>		<b>(102,903)</b>	<b>(118,823)</b>	<b>(102,906)</b>	<b>(117,836)</b>
Liabilities for which fair value is not disclosed*		(3,774)		(3,594)	
<b>Total Financial Liabilities</b>		<b>(106,677)</b>		<b>(106,500)</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		(8,416)		(6,664)	
Less non-exchange transactions		4,688		3,116	
Short-term borrowing		(3,803)		(806)	
Long-term creditors		(46)		(46)	
Long-term borrowing		(99,100)		(102,100)	
<b>Total Financial Liabilities</b>		<b>(106,677)</b>		<b>(106,500)</b>	

\* The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	31 March 2019		31 March 2018	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	5,004	5,004	7,002	7,002
Strategic investment	3	1,259	1,259	40	40
Shares in unlisted companies	3	169	169	23	23
<i>Financial assets held at amortised cost:</i>					
Short-term bank deposits	2	29,557	29,557	29,049	29,049
<b>Total</b>		<b>35,989</b>	<b>35,989</b>	<b>36,114</b>	<b>36,114</b>
Assets for which fair value is not disclosed*		2,961		2,279	
<b>Total Financial Assets</b>		<b>38,950</b>		<b>38,393</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		64		64	
Short-term debtors		6,216		3,929	
Less non-financial asset element		(3,783)		(1,352)	
Long-term investments		1,427		63	
Short-term investments		29,557		29,049	
Cash and cash equivalents		5,469		6,640	
<b>Total Financial Assets</b>		<b>38,950</b>		<b>38,393</b>	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables and cash balances are assumed to approximate to the carrying amount.

## **Financial Instruments - Risks**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk - the possibility that the Council might not have the cash available to make contracted payments on time.
- Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

### **Credit Risk - Treasury Investments**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty including unsecured investments in banks, building societies and companies. The Council also sets limits on investments in certain sectors. No more than £5m can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2019		31 March 2018	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
AAA	0	24,548	0	24,044
A	0	5,009	0	5,005
<b>Total</b>	<b>0</b>	<b>29,557</b>	<b>0</b>	<b>29,049</b>
Credit risk not applicable*	1,427	0	63	0
<b>Total Investments</b>	<b>1,427</b>	<b>29,557</b>	<b>63</b>	<b>29,049</b>

\* Credit risk is not applicable to shareholdings where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. At 31st March 2019, £2,041 (2018: £3,020) of loss allowances related to treasury investments.

### Credit Risk - Trade and Lease Receivables

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The Council includes trade and lease receivables in the same category of debtors - trade receivables. The following analysis summarises the Council's trade receivables by due date. Only those receivables meeting the definition of a financial asset are included.

	31 March 2019 £000	31 March 2018 £000
Past due < 3 months	1,943	2,233
Past due 3 - 6 months	365	213
Past due 6 - 12 months	200	130
Past due 12+ months	585	788
<b>Total Receivables</b>	<b>3,093</b>	<b>3,364</b>

Loss allowances on trade and receivables have been calculated by reference to the Council's historic experience of default.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of allowances set	31 March 2019		31 March 2018	
		Gross receivable £000	Loss allowance £000	Gross receivable £000	Loss allowance £000
Individuals - HRA tenants	1% - 100%	1,168	(617)	1,272	(752)
Private sector	.5% - 100%	563	(42)	351	(35)
Government/Local authority/prepayments	zero	1,361	0	1,741	0
		<b>3,092</b>	<b>(659)</b>	<b>3,364</b>	<b>(787)</b>

Receivables are written off to the surplus or deficit on the provision of services when all avenues to collect the debt are exhausted.

### Credit Risk - Loans and Loan Commitments

In furtherance of the Council's service objectives it has lent money to Dragonfly Development Limited. It has also committed to lend Dragonfly Development Limited a further loan should it be requested at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from the instruments are:

Borrower	Exposure type	31 March 2019		31 March 2018	
		Balance Sheet £000	Risk exposure £000	Balance Sheet £000	Risk exposure £000
Dragonfly Development Limited	Loan at market rate	1,259	1,259	40	40
Dragonfly Development Limited	Loan commitment at market rate	(1,759)	(1,759)	0	0
		<b>(500)</b>	<b>(500)</b>	<b>40</b>	<b>40</b>

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy. These are included on the balance sheet at fair value and therefore already include an allowance for loss.

## Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2019			31 March 2018		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000	£000	£000	£000	£000	£000
Less than 1	(7,531)	31,990	24,459	(4,354)	31,626	27,272
Between 1 and 2	(2,000)	0	(2,000)	(3,000)	0	(3,000)
Between 2 and 5	(11,146)	1,427	(9,719)	(9,746)	63	(9,683)
Between 5 and 10	(24,000)	63	(23,937)	(23,400)	63	(23,337)
More than 10	(62,000)	0	(62,000)	(66,000)	0	(66,000)
<b>Total</b>	<b>(106,677)</b>	<b>33,480</b>	<b>(73,197)</b>	<b>(106,500)</b>	<b>31,752</b>	<b>(74,748)</b>

## Market Risk - Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Investments measured at amortised cost and loans borrowed, are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks with a treasury indicator which provides maximum limits for fixed and variable interest rate exposure. The Council finance team will monitor market and forecast interest rates within the year, to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

If all interest rates had been 1% higher (with all variables held constant) the financial effect would be:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Increase in interest payable on variable rate borrowings	2	3
Increase in interest receivable on variable rate investments	(41)	(77)
Decrease in fair value of investments held at FVPL	0	0
Impact on Surplus or Deficit on the Provision of Services	(39)	(74)
Impact on Comprehensive Income and Expenditure	(39)	(74)
Share of overall impact credited to the HRA	7	13

\* No impact on Comprehensive Income and Expenditure

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

### **Market Risk - Interest Rate Risk**

The Council's investment in equity shares would be subject to the risk of falling share prices if the shares were listed on the stock exchange. The shares are not currently listed on the stock exchange so this is not an issue for this financial year.

**Market Risks: Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no intentional exposure to loss arising from movements in exchange rates.

### **Transition to IFRS 9 Financial Instruments**

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The changes to financial assets were limited to available for sale assets being reclassified as fair value through profit and loss. The assets were already measured at fair value therefore there are no figures to be changed.

**15 Inventories**

	Balance at start of year	Purchases	Expenses in year	Written off balances	Balance at end of year
	£000	£000	£000	£000	£000
<b>Building Materials</b>					
2017/18	71	1,040	(1,029)	0	82
2018/19	82	1,009	(1,024)	0	67
<b>Sports</b>					
2017/18	1	40	(39)	0	2
2018/19	2	20	(20)		2
<b>Catering</b>					
2017/18	1	62	(60)	0	3
2018/19	3	71	(71)	0	3
<b>Fuel</b>					
2017/18	13	364	(351)	0	26
2018/19	26	351	(370)	0	7
<b>Stationery</b>					
2017/18	3	3	(3)	0	3
2018/19	3	0	(2)	0	1
<b>Total 2017/18</b>	<b>89</b>	<b>1,509</b>	<b>(1,482)</b>	<b>0</b>	<b>116</b>
<b>Total 2018/19</b>	<b>116</b>	<b>1,451</b>	<b>(1,487)</b>	<b>0</b>	<b>80</b>

**16 Capital Commitments**

The Council has the following capital commitments:

Capital Commitments	31 March 2019 £000	31 March 2018 £000
Disabled Facilities Grants	136	160
Fleet Vehicles	378	42
The Tangent extension	0	32
Pleasley Vale works	28	47
New Bolsover Model Village project	2,574	6,848
B @ Home Programme	153	73
Safe and Warm	329	50
HRA Door replacement scheme	0	71
Shirebrook Contact Centre	33	0
Swimming pool cover	24	0
HRA re-roofing	302	0
<b>Total</b>	<b>3,957</b>	<b>7,323</b>

**17 Debtors**

	31 March 2019 £000	31 March 2018 £000
Trade receivables	1,334	1,330
Prepayments	301	319
Other receivable amounts	798	928
	2,433	2,577
Statutory receivable amounts (non-exchange transactions)	3,783	1,352
<b>Total</b>	<b>6,216</b>	<b>3,929</b>

**18 Cash Flow Statement - Cash and Cash Equivalents**

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

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	465	(362)
Bank call accounts	5,004	7,002
<b>Total</b>	<b>5,469</b>	<b>6,640</b>

**19 Assets Held for Sale**

	31 March 2019 £'000	31 March 2018 £'000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:	75	0
Assets sold	0	0
Balance outstanding at year-end	<b>75</b>	<b>0</b>

**20 Creditors**

	31 March 2019 £000	31 March 2018 £000
Trade payables	(2,951)	(2,746)
Other payable amounts	(777)	(802)
	(3,728)	(3,548)
Statutory payable amounts (non-exchange transactions)	(4,688)	(3,116)
<b>Total</b>	<b>(8,416)</b>	<b>(6,664)</b>

**21 Provisions**

	<b>Legal Costs</b>	<b>Single Status</b>	<b>Non-domestic Rates</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2018</b>	(178)	(750)	(2,277)	(3,205)
Provisions made in 2018/19	0	0	(569)	(569)
Amounts used in 2018/19	0	362	177	539
Unused amounts reversed in 2018/19	0	388	720	1,108
<b>Balance at 31 March 2019</b>	<b>(178)</b>	<b>0</b>	<b>(1,949)</b>	<b>(2,127)</b>

The Legal Costs provision has been created for costs which are potentially to be incurred relating to the MMI scheme of arrangement and future, currently unknown claims.

The Single Status provision was held to fund payments made to potential claimants in exchange for their rights to pursue an equal pay claim. The potential claims outstanding at 1 April were resolved during 2018/19.

The Local Government Finance Act 2012 introduced a business rates retention scheme. Billing authorities are required to make a provision for any potential liabilities as a result of refunding ratepayers who have appealed against the rateable value of their properties. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with the VOA. As the outcome of any appeals are determined by the VOA, it is uncertain when the claims will be settled. As there are still claims outstanding from pre 2010 it has been decided to classify the provision as long term. This provision relates to only the Council's share of the potential costs which is 50% this year due to being in a Business Rates Pilot.

**22 Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and note 9 .

**23 Unusable Reserves**

	2018/19 £000	2017/18 £000
Revaluation Reserve	(78,451)	(57,479)
Capital Adjustment Account	(35,006)	(40,311)
Pensions Reserve	51,366	39,853
Deferred Capital Receipts Reserve	(63)	(63)
Collection Fund Adjustment Account	(205)	1,287
Accumulated Absences Account	73	87
Available for Sale Financial Instruments Reserve	0	32
<b>Total</b>	<b>(62,286)</b>	<b>(56,594)</b>

**Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(57,479)</b>	<b>(54,417)</b>
Upward revaluation of assets	(30,130)	(7,763)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	6,161	2,822
(Surplus) or deficit on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	(23,969)	(4,941)
Difference between fair value depreciation and historical cost depreciation	1,664	1,256
Accumulated gains on assets sold or scrapped	1,333	623
Amount written off to the Capital Adjustment Account	2,997	1,879
<b>Balance at 31 March</b>	<b>(78,451)</b>	<b>(57,479)</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve are provided in note 9.

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Balance at 1 April</b>	<b>(40,311)</b>	<b>(53,248)</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
- Charges for depreciation and impairment of non current assets	15,625	13,335
- Derecognition of property, plant and equipment	2,742	1,676
- Amortisation of intangible assets	62	63
- Revenue Expenditure Funded from Capital Under Statute	1,655	1,495
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to The Comprehensive Income and Expenditure Statement	1,742	1,511
- Financial Instruments impairment	36	0
	<b>21,862</b>	<b>18,080</b>
Adjusting amounts written out of the Revaluation Reserve	(2,996)	(1,879)
Net written out amount of the cost of non current assets consumed in the year	<b>18,866</b>	<b>16,201</b>
<i>Capital financing applied in the year:</i>		
- Use of Capital Receipts Reserve to finance new capital expenditure	(442)	(716)
- Use of Capital Receipts Reserve to finance historical capital expenditure	(1,031)	(2,128)
- Use of the Major Repairs Reserve to finance new capital expenditure	(7,183)	(6,626)
- Reversal of use of the Major Repairs Reserve to finance historical capital expenditure	0	11,015
- Application of grants to capital financing from the Capital Grants Unapplied Account	(3,076)	(1,682)
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(706)	(715)
- Capital expenditure charged against the General Fund and HRA balances	(254)	(13)
- Capital expenditure charged against reserves	(571)	(2,484)
	<b>(13,263)</b>	<b>(3,349)</b>
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>(298)</b>	<b>85</b>
<b>Balance at 31 March</b>	<b>(35,006)</b>	<b>(40,311)</b>

**Pensions Reserve**

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

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Balance at 1 April</b>	<b>39,853</b>	<b>40,602</b>
Actuarial gains or losses on pensions assets and liabilities	8,358	(3,263)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	5,740	5,091
Employer's pension contributions and direct payments to pensioners payable in the year	(2,585)	(2,577)
<b>Balance at 31 March</b>	<b>51,366</b>	<b>39,853</b>

**Deferred Capital Receipts Reserve**

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

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Balance at 1 April - Rent to Mortgage - Property Charge</b>	<b>(63)</b>	<b>(63)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
<b>Balance at 31 March - Rent to Mortgage - Property Charge</b>	<b>(63)</b>	<b>(63)</b>

**Collection Fund Adjustment Account**

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

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	1,287	(1,149)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,492)	2,436
<b>Balance at 31 March</b>	<b>(205)</b>	<b>1,287</b>

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences, principally holidays, earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	87	94
Settlement or cancellation of accrual made at the end of the preceding year	(87)	(94)
Amounts accrued at the end of the current year	73	87
Amount by which Officer remuneration charged to the CIES is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	(7)
<b>Balance at 31 March</b>	<b>73</b>	<b>87</b>

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Council arising from movement in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. From 2018/19 this reserve no longer exists.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	32	32
Transfer of instrument to Capital Adjustment Account	(32)	0
<b>Balance at 31 March</b>	<b>0</b>	<b>32</b>

**24 Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Interest received	(303)	(176)
Interest paid	3,849	3,683

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Depreciation	(5,022)	(4,734)
Impairment and downward valuations	(10,665)	(8,664)
Increase/(decrease) in creditors	223	(371)
(Increase)/decrease in debtors	369	(271)
(Increase)/decrease in inventories	(36)	27
Movement in pension liability	(3,155)	(2,517)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,484)	(3,187)
Other non-cash items charged to the net surplus or deficit on the provision of services	1,337	(1,595)
	<b>(21,433)</b>	<b>(21,312)</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,057	2,352
Any other items for which the cash effects are investing or financing cash flows	3,051	2,055
	<b>5,108</b>	<b>4,407</b>

## 25 Cash Flow Statement - Investing Activities

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	13,419	15,158
Purchase of short term and long term investments	110,271	101,545
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,057)	(2,352)
Proceeds from short term and long term investments	(108,500)	(112,500)
Other receipts from investing activities	(3,022)	(1,586)
<b>Net cash flows from investing activities</b>	<b>10,111</b>	<b>265</b>

## 26 Cash Flow Statement - Financing Activities

	2018/19 £000	2017/18 £000
Cash receipts of short term and long term borrowings	(773)	(489)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	21	21
Repayments of short term and long term borrowing	776	1,338
	24	870
Council Tax and NNDR adjustments	209	3,252
<b>Net cash flows from financing activities</b>	<b>233</b>	<b>4,122</b>

## 27 Cash Flow Statement - Reconciliation of Liabilities arising from Financing Activities

	1 April 2018 £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Other £'000	31 March 2019 £'000
Long-term borrowings	(102,100)	0	-	3,000	(99,100)
Short-term borrowings	(806)	3	-	(3,000)	(3,803)
- Lease liabilities	(21)	21			0
<b>Total liabilities from financing activities</b>	<b>(102,927)</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>(102,903)</b>

	1 April 2017 £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Other £'000	31 March 2018 £'000
Long-term borrowings	(102,100)	0	-	-	(102,100)
Short-term borrowings	(1,655)	849	-	-	(806)
- Lease liabilities	(42)	21	0	0	(21)
<b>Total liabilities from financing activities</b>	<b>(103,797)</b>	<b>870</b>	<b>0</b>	<b>0</b>	<b>(102,927)</b>

**28 Trading Operations**

The Council has established the following trading services, whose financial results for 2018/19 were:-

	<b>Turnover £'000</b>	<b>Expend. £'000</b>	<b>Deficit/ (Surplus) £'000</b>
Industrial sites/commercial properties	(197)	149	(48)
	<b>(197)</b>	<b>149</b>	<b>(48)</b>

**2017/18 Comparatives:**

	<b>Turnover £'000</b>	<b>Expend. £'000</b>	<b>Deficit/ (Surplus) £'000</b>
Industrial sites/commercial properties	(219)	133	(86)
	<b>(219)</b>	<b>133</b>	<b>(86)</b>

**29 Agency Services**

The Council undertakes agency work for Derbyshire County Council in carrying out the duties of roadside verge grass cutting, weed control and tree maintenance. The annual expenditure on the service was £180,261 with an income of £68,345 for 2018/19, (£177,579 and £65,697 in 2017/18).

**30 Members' Allowances**

The Council paid the following amounts to elected members during the year. This expenditure is included within the People Directorate line of the Comprehensive Income and Expenditure Statement.

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Allowances	453	450
Expenses	13	12
<b>Total</b>	<b>466</b>	<b>462</b>

**31 Officers' Remuneration**

Council employees (excluding senior employees) receiving more than £50,000 remuneration (excluding pension contributions) were paid the following amounts:

<b>Remuneration Band</b>	<b>Number of Employees 2018/19</b>	<b>Number of Employees 2017/18</b>
£50,000 - £54,999	0	1
£55,000 - £59,999	2	1
£60,000 - £64,999	0	1
£75,000 - £79,999	1	0
£105,000 - £109,999	1	0

The remuneration paid to the Council's senior employees (who report directly to the Chief Executive and earn £50,000 or more) is as follows:

Post Title		Salary (including fees + allowances) £	Expenses/ Allowances £	Benefits in Kind £	Compensation for loss of office * (see following page) £	Pension Contribution £	Total Remuneration (including pension contributions) £	Net Charge to NEDDC £	Net Charge to BDC £
<b>Employed by Bolsover DC</b>									
Joint Chief Executive	2017/18	114,972	0	0	0	15,881	130,853	65,427	65,426
	2018/19	120,342	0	0	0	16,632	136,974	68,487	68,487
Joint Strategic Director (Start date 1/9/17)	2017/18	41,663	0	0	0	5,791	47,454	23,727	23,727
	2018/19	75,025	0	0	0	10,428	85,453	42,727	42,726

Post Title		Salary (including fees + allowances)  £	Expenses/ Allowances  £	Benefits in Kind  £	Compensation for loss of office * (see following page)  £	Pension Contribution  £	Total Remuneration (including pension contributions)  £	Net Charge to NEDDC  £	Net Charge to BDC  £
<b>Employed by North East Derbyshire DC</b>									
Joint Executive Director of Operations (Leave date 30/6/17)	2017/18	42,324	0	0	68,604	2,738	113,666	56,833	56,833
	2018/19	0	0	0	0	0	0	0	0
Joint Executive Director of Transformation (Leave date 30/6/17)	2017/18	42,490	0	0	40,413	2,738	85,641	42,820	42,821
	2018/19	0	0	0	0	0	0	0	0
Joint Strategic Director  (Start date 6/11/17)	2017/18	32,719	0	0	0	4,412	37,131	18,565	18,566
	2018/19	82,952	0	0	0	11,172	94,124	47,062	47,062
Joint Head of Service - Finance and Resources - S151 Officer (Leave date 31/3/19)	2017/18	56,481	0	0	0	7,463	63,944	31,972	31,972
	2018/19	57,930	0	0	0	7,820	65,750	32,875	32,875

The number of exit packages with the total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £	2017/18 £
£0 - £20,000	1	1	2	2	3	3	29,829	10,767
£20,001 - £40,000	0	1	1	2	1	3	21,834	90,074
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Termination Benefit Cost</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>51,663</b>	<b>100,841</b>

The total cost of £51,663 (£100,841 17/18) in the table above is for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

As part of the Strategic Alliance, NEDDC contributed £10,450 towards exit packages paid to BDC employees in 18/19, (£0 was paid to BDC employees in 17/18). BDC contributed £22,460 towards exit packages paid to NEDDC employees in 18/19 (£72,904 in 17/18). These contributions are not included in the table above.

\* As the employees included in the table of senior employees are joint officers, any compensation for loss of office payments are split between BDC and NEDDC. Therefore only the amount paid by BDC is included in the exit package table above.

**32 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Fees payable to the Auditor with regard to external audit services carried out by the appointed auditor for the year	38	49
Fees payable to the Auditor for the certification of grant claims and returns for the year	7	6
Fees payable to the Auditor in respect of other services	2	3
<b>Total</b>	<b>47</b>	<b>58</b>

The External Auditor of the Council has been Mazars LLP since 1/4/18.

**33 Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
New Burdens Grants	(38)	(8)
New Homes Bonus	(993)	(1,207)
Small Business Rate Relief Grant	(1,016)	(643)
Revenue Support Grant	0	(1,906)
Homes England Grant	(1,182)	0
Capital Grants and Contributions	(591)	(686)
<b>Total</b>	<b>(3,820)</b>	<b>(4,450)</b>
<b>Credited to Services</b>		
Disabled Facilities Grants	(529)	(477)
Miscellaneous Capital Grants for Reffcus	(41)	(44)
Heritage Lottery Funding for Reffcus	(708)	(848)
Miscellaneous Contributions to Holding Accounts	(717)	(976)
Housing Benefit Admin Grant	(361)	(384)
Rent Allowances Grant	(9,067)	(10,062)
Rent Rebates Grant	(9,264)	(9,995)
<b>Total</b>	<b>(20,687)</b>	<b>(22,786)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2018/19 £000	2017/18 £000
<b>Revenue grant receipts in advance</b>		
Other Contributions	(1,121)	(1,143)
<b>Total</b>	<b>(1,121)</b>	<b>(1,143)</b>

### **34 Related Parties**

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the previous note.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in a previous note. During 2018/19 payments for works and services to the value of £410,039 were made to organisations such as Parish Councils in which members had an interest. Amounts for works and services to the value of £153,319 were received from organisations in which members had an interest. Council Members make disclosures of relevant interests to the Council's Head of Service - Corporate Governance, which are formally recorded on a publicly available Register of Interests and also make declarations on individual committee decisions. The Council also nominates Members to sit on outside bodies. A number of Council Members are also Members of local parish councils, or various local voluntary organisations, which the Council supports financially. Where necessary, Members declared such interests when relevant to their duties and thus no further disclosure is considered necessary.

#### Officers

In addition to the Register of Interest, Senior Officers were required to complete a Declaration of Related Party Transactions Pro-forma for the year 2018/19. During 2018/19 payments for works and services to the value of £180 were received from organisations in which senior officers had an interest.

Other significant transactions with related parties are as follows:-

	<b>Receipts</b> <b>£000</b>	<b>Payments</b> <b>£000</b>
Chesterfield Royal Hospital	0	8
Derbyshire Unemployed Workers Centre	0	20
Derbyshire County Council	(2,092)	1204
Derbyshire Police and Crime Panel	(10)	0
Groundwork Creswell, Ashfield and Bolsover	0	15
Junction Arts	0	35
Shirebrook Academy	(11)	32
<b>Total</b>	<b>(2,113)</b>	<b>1,314</b>

### **35 Capital Expenditure and Capital Financing**

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

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Opening Capital Financing Requirement</b>	112,548	98,882
<u>Capital Investment:</u>		
Property, Plant and Equipment	12,893	14,901
Investment Properties	255	507
Intangible Assets	456	67
Revenue Expenditure Financed from Capital Under Statute	1,655	1,495
Purchase of Share Capital	1,320	45
<u>Sources of Finance:</u>		
Capital Receipts	(442)	(716)
Government Grants and Other Contributions	(3,076)	(1,682)
Major Repairs Allowance	(7,183)	(6,626)
Sums Set Aside from Revenue:		
- Direct Revenue Contributions	(254)	(13)
- Reserve Contributions	(571)	(2,484)
- Minimum Revenue Provision	(706)	(715)
- Other Revenue Provision	(1,031)	(2,128)
Movement of provision for debt repayment to create a reserve	0	11,015
<b>Closing Capital Financing Requirement</b>	<b>115,864</b>	<b>112,548</b>
<u>Explanation of Movements in Year</u>		
Increase in Underlying Need to Borrow	(4,022)	(3,366)
Increase in Underlying Need to Borrow	0	(11,015)
Minimum Revenue Provision	706	715
<b>(Increase)/Decrease in Capital Financing Requirement</b>	<b>(3,316)</b>	<b>(13,666)</b>

### **36 Leases**

#### **Authority as Lessee**

##### **Finance Leases**

The Council has entered into a number of finance leases. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Vehicles, plant, furniture and equipment	0	21
<b>Total</b>	<b>0</b>	<b>21</b>

The rentals payable under these arrangements in 2018/19 were £20,860 (£20,860 in 2017/18), charged to the Comprehensive Income and Expenditure Statement as £180 (£20,860 17/18) finance costs and £20,680 relating to the write down of obligations to the lessor (£0 17/18).

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Finance lease liabilities (npv of minimum lease payments):		
- Current	0	21
- Non current	0	0
Finance costs payable in future years	0	0
<b>Minimum lease payments</b>	<b>0</b>	<b>21</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Not later than one year	0	21	0	0
Later than five years	0	0	0	0
<b>Total</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>0</b>

### Operating Leases

The Council used general fleet vehicles financed under the terms of operating leases. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was zero (£24,565 in 2017/18).

The minimum lease payments due under non cancellable leases in future years are zero as the Council has made a policy decision to purchase outright all future fleet vehicles.

**Authority as Lessor****Operating Leases**

With regard to the Council's activity as a lessor, the rental income from leases relating to retail, commercial and industrial units amounted to £888,052 in 2018/19 (£815,015 in 2017/18).

The Council leases out a number of properties for commercial purposes. The minimum lease payments receivable under non cancellable leases in future years are:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Not later than one year	(186)	(145)
Later than one year and not later than five years	(589)	(584)
Later than five years	(200)	(88)
<b>Total</b>	<b>(975)</b>	<b>(817)</b>

**37 Impairment Losses**

Impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are included in the Property, Plant and Equipment Note 11.

Details of impairment charged to the HRA for 2018/19 are in note 47 .

**38 Termination Benefits**

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £51,663 (£100,841 in 2017/18) - see note 31 for the number of exit packages and total cost per band.

**39 Defined Benefit Pension Scheme****Participation in pension scheme**

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

**Transactions relating to post-employment benefits**

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

<b>Local Government Pension Scheme</b>	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Services:</i>		
<u>Service cost comprising:</u>		
- Current service cost	3,873	3,891
- (Gain)/loss from Settlements	735	97
- Administration cost	30	29
<u>Financing and Investment Income and Expenditure:</u>		
Net interest expense	1,102	1,074
<i>Total Post-employment benefit charged to the surplus or deficit on the provision of services</i>	5,740	5,091
<i>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>		
<u>Remeasurement of the net defined benefit liability comprising:</u>		
- Return on plan assets (excluding the amount included in the net interest expense)	(2,664)	(745)
- Actuarial gains and losses arising on changes in financial assumptions	10,998	(2,504)
- Actuarial gains and losses arising on changes in other experience	24	(14)
<b><i>Total remeasurements recognised in other comprehensive income and expenditure</i></b>	8,358	(3,263)
<i>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>	14,098	1,828
<u>Movement in Reserves Statement</u>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,155	2,514
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	2,585	2,577

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<b>Local Government Pension Scheme</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Present value of the defined benefit obligation	(145,858)	(129,343)
Fair value of plan assets	94,492	89,490
Sub-total	(51,366)	(39,853)
Other movements in the liability	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(51,366)</b>	<b>(39,853)</b>

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

<b>Local Government Pension Scheme</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Opening fair value of scheme assets	89,490	86,545
Interest income	2,414	2,248
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	2,664	745
Contributions from employer	2,585	2,577
Contributions from employees into the scheme	629	612
Benefits paid	(3,290)	(3,237)
<b>Closing fair value of scheme assets</b>	<b>94,492</b>	<b>89,490</b>

**Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation):**

<b>Local Government Pension Scheme - Funded Liabilities</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Opening balance at 1 April	(129,343)	(127,147)
Current service cost	(3,903)	(3,920)
Interest cost	(3,516)	(3,322)
Contributions from scheme participants	(629)	(612)
Remeasurement (gains) and losses:		
- Actuarial gains and losses arising on changes in financial assumptions	(10,998)	2,504
- Actuarial gains and losses arising on changes in other experience	(24)	14
Losses/(gains) on curtailment	(735)	(97)
Benefits paid	3,290	3,237
<b>Closing balance at 31 March</b>	<b>(145,858)</b>	<b>(129,343)</b>

<b>Local Government Pension Scheme assets comprised:</b>	<b>Fair value of scheme assets</b>	
	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Cash and cash equivalents	7,506	4,300
Equity instruments:		
- Consumer	5,740	5,753
- Manufacturing	5,963	7,859
- Energy and utilities	4,177	4,897
- Financial institutions	4,601	6,195
- Health and care	2,994	3,087
- Information technology	2,257	2,660
- Other	10,099	10,197
Sub-total equity	35,831	40,648
Bonds:		
- Corporate (Investment)	9,966	7,050
- UK Government	8,804	8,460
- Other	1,840	1,394
Sub-total bonds	20,610	16,904

Local Government Pension Scheme assets comprised continued:	Fair value of scheme assets	
	2018/19 £'000	2017/18 £'000
Property:		
- UK	7,537	5,887
Private equity:		
- All	2,580	1,809
Investment funds:		
- Equities	16,644	17,031
- Infrastructure	3,784	2,911
Sub-total other investment funds	20,428	19,942
Total assets	94,492	89,490

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary level etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 4 July 2019 and take into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the 'McCloud' judgement relating to the 2014 reforms of the LGPS benefit structure. The impact on liabilities is an increase of .2% (£0.180m) for GMP and .4% (£0.530m) for 'McCloud'. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.9 years	21.9 years
- Women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
- Men	23.9 years	23.9 years
- Women	26.5 years	26.5 years
Rate of inflation (CPI)	2.50%	2.40%
Rate of increase in salaries	3.00%	2.90%
Rate of increase in pensions	2.50%	2.40%

Rate for discounting scheme liabilities	2.40%	2.70%
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The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>Approximate increase to Employer Liability</b>	<b>Approximate monetary amount</b>
	<b>%</b>	<b>£'000</b>
0.5% decrease in Real Discount Rate	10	15,257
1 year increase in member life expectancy	3 - 5	4,376 - 7,293
0.5% increase in the Salary Increase Rate	2	2,387
0.5% increase in the Pension Increase Rate	9	12,586

### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2016.

The scheme has been required to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £2,335,000 in expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years, 2018/19 (17.9 years 2017/18).

#### **40 Contingent Liabilities/Assets**

There are no contingent liabilities or assets.

#### **41 Interests in Other Entities**

During 2016/17 the Council entered into a joint venture with Woodhead Regeneration Ltd. Both parties purchased 50% of the shares in Dragonfly Development Limited for £50,000. Parties have equal controlling interests with two Directors on the Board. Both parties are committed to remain in the joint venture for a minimum of 5 years and thereafter either party can, if they choose, seek to exit the joint venture serving 12 months notice.

Dragonfly Development Limited has been created to deliver residential and commercial developments on Council and privately owned land. The driver for creating the company is to stimulate economic growth by delivering housing and commercial developments whilst generating income for the Council.

Dragonfly Development Limited agreed during 2017/18 to develop 3 residential sites in the area covered by Bolsover District Council. This is to be funded by a commercial loan of up to £3.2m, as well as a further share purchase of up to £0.500m. Woodhead Regeneration Ltd will match any share purchase made by the Council to maintain the equal controlling interest.

The value of the Council's interest in Dragonfly Development Limited at 31 March 2019 is £168,790 (£23,258 in 2017/18).

The amount of loan drawn down at 31 March 2019 is £1,210,681 (£40,071 31/3/18).

Further disclosure can be found within the financial instruments notes, which are note 14 .

## **42 Shared Services/Joint Operations**

During 2018/19 the Council had partnership agreements with North East Derbyshire District Council (NEDDC), Chesterfield Borough Council (CBC) and Derbyshire Dales District Council (DDDC) in the following areas:

- Internal Audit
- ICT Service
- Environmental Health Service
- Chesterfield and District Joint Crematorium

The Internal Audit Consortium is hosted by CBC and also includes BDC and NEDDC . The accounts reflect the payments made to CBC towards the costs of operation.

NEDDC hosts the joint ICT service which covers BDC and DDDC for the provision of the Council's IT. The accounts reflect payments to NEDDC for the Council's costs of the service provided.

NEDDC also hosts the joint Environmental Health Service. The accounts reflect payments to NEDDC for the Council's costs of the service provided. This initiative has been pursued as part of the wider Strategic Alliance between Bolsover and NEDDC.

There are no assets or liabilities for the above joint operations to be included in the accounts.

The Chesterfield and District Joint Crematorium Committee is a Jointly Controlled Operation between the Council, NEDDC and CBC. The function of the Chesterfield and District Joint Crematorium Committee is to discharge the crematorium functions of each of the constituent Councils. Each Council's share of member representation, financial surplus and deficit is based on the number of cremations of deceased inhabitants of each constituent Council's area. The accounts reflect payments from CBC for the Council's share of the financial surplus.

There are no assets or liabilities for the Chesterfield and District Joint Crematorium Committee included in the accounts on the grounds of materiality.

## HRA INCOME AND EXPENDITURE STATEMENT

2017/18 £000		NOTE	2018/19 £000	2018/19 £000
	<b>Expenditure</b>			
5,688	Repairs and maintenance		5,653	
5,342	Supervision and management		5,086	
205	Rent, rates, taxes and other charges		224	
10,781	Depreciation and impairment of non-current assets		13,919	
8	Debt management costs		8	
153	Movement in the impairment allowance for bad debts	*	0	
1,433	Special Services		1,434	
<b>23,610</b>	<b>Total Expenditure</b>			<b>26,324</b>
	<b>Income</b>			
(20,286)	Dwelling rents		(20,067)	
(137)	Non-dwelling rents		(140)	
(600)	Charges for services and facilities		(523)	
(1,322)	Contributions towards expenditure		(1,250)	
<b>(22,345)</b>	<b>Total Income</b>			<b>(21,980)</b>
1,265	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>			4,344
743	HRA share of Corporate and Democratic Core			749
<b>2,008</b>	<b>Net Expenditure or (Income) for HRA Services</b>			<b>5,093</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>			
659	(Gain) or loss on sale of HRA non-current assets			2,407
3,449	Interest payable and similar charges			3,784
(31)	HRA Interest and investment income			(52)
454	Net interest on the net defined benefit liability (asset)	<u>51</u>		476
<b>6,539</b>	<b>(Surplus) or deficit for the year on HRA Services</b>			<b>11,708</b>

\* Under the Code the impairment allowance for bad debts is included in interest payable and similar charges from 2018/19.

**Movement on the HRA Statement**

	<b>2018/19</b> <b>£000</b>	<b>2017/18</b> <b>£000</b>
<b>HRA Balance at the end of the previous year</b>	<b>(1,929)</b>	<b>(1,905)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	11,708	6,539
Adjustments between accounting basis and funding basis under statute (including reserve movement)	(13,046)	(17,925)
Net (increase) or decrease in year on the HRA and HRA reserves	(1,338)	(11,386)
Transfers (to) or from earmarked reserves	1,267	11,362
(Increase) or decrease in year on the HRA balance	(71)	(24)
<b>HRA Balance at the end of the current year</b>	<b>(2,000)</b>	<b>(1,929)</b>

**Notes to the Housing Revenue Account****43 Housing Stock**

The number and types of dwelling in the Council's housing stock are as follows:

	31 March 2019	31 March 2018
Houses	2,261	2,253
Bungalows	1,939	1,933
Flats	695	693
Sheltered	209	209
<b>Total</b>	<b>5,104</b>	<b>5,088</b>

In 2018/19, 42 properties were sold under the 'Right to Buy' provisions (47 in 2017/18). In 2018/19, 6 bungalows, 4 flats and 48 houses were completed (1 bungalow, 2 flats and 23 houses in 17/18).

**44 Valuation of Assets**

The total balance sheet valuations of land, houses and other property within the HRA are as follows:

	31 March 2019 £'000	31 March 2018 £'000
Council Dwellings	193,093	172,901
Council Dwellings (Garages)	2,978	3,254
Other Property	127	163
Other Equipment	499	59
Other Vehicles	499	653
Non Operational Land (Surplus Assets Not Held for Sale)	821	1,041
Assets Under Construction	388	0
<b>Total</b>	<b>198,405</b>	<b>178,071</b>

The vacant possession value of the dwellings within the HRA (valued in accordance with Guidance) as at 31 March 2019 was £466,835,445 (£419,416,204 in 2017/18). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost of providing council housing at less than market rents. The social housing regional adjustment factor for East Midlands is 42% which takes into account the reduction in value arising from sitting tenants rights.

**45 Depreciation**

Council Houses have been depreciated on a straight line method (excluding the land value of the property). Other housing property has been depreciated using the straight line method based upon the independent valuation of the asset and the finite useful life. The total charges within the HRA are as follows:

Operational Assets	2018/19 £'000	2017/18 £'000
Houses	3,583	3,120
Other Property (Garages)	11	61
Other Equipment	190	244
<b>Total</b>	<b>3,784</b>	<b>3,425</b>

**46 Major Repairs Reserve**

This reserve is credited with the depreciation charged to the Housing Revenue Account as well as additional voluntary contributions from the Housing Revenue Account.

The reserve is only available for funding major repairs to the housing stock or the repayment of Housing Revenue Account debt. Any unspent sums are carried forward for use in future years.

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward 1 April</b>	(7,537)	(8,787)
Transferred to Reserve in year	(4,917)	(5,376)
Transferred to Reserve in year from Capital Adjustment Account	0	(11,015)
Amounts used to finance Capital Expenditure on land, houses and other HRA property	7,183	6,626
Repayment of debt from the reserve in year	0	0
Transfer to the HRA Debt Repayment reserve in year	0	11,015
<b>Balance as at 31 March</b>	<b>(5,271)</b>	<b>(7,537)</b>

**47 Impairment (Including the reversal of previous years' revaluation decreases)**

The position of the HRA properties reviewed for impairment at 31/3/19 is:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Dwellings (including land)	(12,371)	1,388
Other land and buildings	153	1,147
<b>Revaluation (Increase) / Decrease</b>	<b>(12,218)</b>	<b>2,535</b>

**48 Capital Expenditure and Financing**

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure on HRA land, houses and other property	<b>13,728</b>	<b>14,157</b>
Financed by:		
Major Repairs Reserve	7,183	6,626
Borrowing	3,348	5,174
Grants and Contributions	2,538	1,117
Usable Capital Receipts	388	223
Revenue and Reserves Contributions	271	1,017
<b>Total</b>	<b>13,728</b>	<b>14,157</b>

**49 Capital Receipts**

	2018/19 £'000	2017/18 £'000
Council House Sales	1,971	2,116
Land Sales	31	236
<b>Total</b>	<b>2,002</b>	<b>2,352</b>

**50 Rent Income**

At 31 March 2019 approximately 4.08% of lettable properties were empty (31 March 2018, 4.46%).

The rent arrears as a proportion of gross rent income and excluding refunds are £1,167,932 (5.58%) compared with £1,272,394 (6.04%) in 2017/18.

An allowance for impairment of £617,308 has been made in the accounts for potentially uncollectable rent arrears (2017/18 £751,858).

**51 Pension Reserve**

The amount charged to the HRA for providing pensions is the amount payable for the year in line with statutory requirement governing the pension scheme of £475,498. This is the difference between the interest income on plan assets £1,041,609 credit (£949,539 credit 17/18) and the interest cost on defined obligations £1,517,107 debit (£1,403,189 debit 17/18) apportioned by the HRA share of total basic salaries.

**52 Revenue Expenditure Funded from Capital Under Statute**

The Council's Net Cost of Service on the Housing Revenue Account includes expenditure of £0.793m (£0.926m 17/18). This payment did not result in the development of an asset owned by the Council.

**53 HRA Debt Repayment Reserve**

The introduction of self-financing to the Housing Revenue Account in 2012 meant the Council had to borrow £88m from the Public Works Loan Board to cover the balance of the settlement payment after using reserves and balances, which was made to Communities and Local Government to buy out of the subsidy system.

The loans of £88m were taken out with varying maturity dates ranging from 6 months to 30 years. The final repayment date being 28/3/42.

This reserve has been created to build up funds to meet the repayments of the loans as they become due and is included in the balance sheet within earmarked reserves.

	2018/19 £'000	2017/18 £'000
<b>Balance brought forward 1 April</b>	(12,082)	0
Transferred to Reserve in year	0	(1,067)
Transferred to Reserve in year from Capital Adjustment Account	0	(11,015)
Repayment of debt from the reserve in year	0	0
<b>Balance as at 31 March</b>	<b>(12,082)</b>	<b>(12,082)</b>

**THE COLLECTION FUND ACCOUNTING STATEMENT**

2017/18 NNDR £000	2017/18 Council Tax £000		2018/19 NNDR £000	2018/19 Council Tax £000	2018/19 Total £000	Note
		<b><u>INCOME</u></b>				
	(37,137)	Council Tax Payers		(39,463)	(39,463)	<u>55</u>
(25,390)		Income from Business Ratepayers	(27,795)		(27,795)	<u>54</u>
0		Transitional Protection Payment Receivable	(45)		(45)	
<b>(25,390)</b>	<b>(37,137)</b>		<b>(27,840)</b>	<b>(39,463)</b>	<b>(67,303)</b>	
		<b><u>EXPENDITURE</u></b>				
		<u>Apportionment of Previous Year's Collection Fund Surplus:</u>				
1,443		Central Government	177		177	
1,154	33	Bolsover District Council	142		142	
260	138	Derbyshire County Council	32		32	
29	8	Derbyshire Fire Authority	3		3	
	21	Derbyshire Police Authority			0	
		<u>Precepts:</u>				
	6,092	Bolsover District Council		6,443	6,443	
	25,494	Derbyshire County Council		27,317	27,317	
	1,527	Derbyshire Fire Authority		1,605	1,605	
	3,800	Derbyshire Police Authority		4,136	4,136	
		<u>Business Rates:</u>				
12,382		Central Government			0	
9,906		Bolsover District Council	12,860		12,860	
2,229		Derbyshire County Council	12,603		12,603	
247		Derbyshire Fire Authority	257		257	
97		Cost of Collection	96		96	
		<u>Charges to the Collection Fund:</u>				
53	80	Write-offs of uncollectable amounts	51	114	165	
80	74	Impairment of Debts	(47)	141	94	
3,471		Impairment of Appeals	(1,440)		(1,440)	
68		Reconciliation Adjustments for disregarded amounts	64		64	
35		Transitional Protection Payments			0	
<b>31,454</b>	<b>37,267</b>		<b>24,798</b>	<b>39,756</b>	<b>64,554</b>	
6,064	130	<b>(Surplus) / Deficit for the year</b>	(3,042)	293	(2,749)	
		<b><u>COLLECTION FUND BALANCE</u></b>				
(2,770)	(170)	Balance brought forward at 1 April	3,294	(40)	3,254	<u>56</u>
6,064	130	(Surplus)/ Deficit arising during the year	(3,042)	293	(2,749)	
3,294	(40)	(Surplus)/ Deficit c/fwd 31st March	252	253	505	

## **54 Income from Business Ratepayers**

The Council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

In 2013/14, the administration of business rates changed following the introduction of the business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and collection rates. Instead of paying business rates to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Bolsover the local share is 40%. The remainder is distributed to preceptors, Central Government (50%), Derbyshire County Council (9%) and Derbyshire Fire Authority (1%).

During 2018/19 Bolsover was a member of the Derbyshire Business Rates pool. This consists of 8 Derbyshire district or borough Councils; Derbyshire County; Derby City and Derbyshire Fire Authority. Instead of each district or borough Council paying a proportion of their growth above the baseline over to Government, it is kept within the pool and distributed amongst all the members on an agreed basis.

The Derbyshire Business Rates pool was successful in becoming a Business Rates Pilot for 2018/19. This meant the collectable rates for 2018/19 would be distributed differently to previous years. The proportions being Central Government zero, the billing authority (Bolsover District Council) (50%), Derbyshire County Council (49%) and Derbyshire Fire Authority (9%).

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £12.860m to Bolsover District Council, £12.603m to Derbyshire County Council and £0.257m to Derbyshire Fire Authority. These sums have been paid in 2018/19 and charged to the collection fund in year.

When the Business Rates scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Bolsover paid a tariff from the General Fund in 2018/19 to the value of £5.993m.

The total income collected from business rate payers in 2018/19 was £27.8m (£25.4m in 2017/18).

The total non-domestic rateable value at 31st March 2019 was £64,017,013 (£62,415,557 for 2017/18). The general national non-domestic multiplier for the year was 49.3p (47.9p in 2017/18). The small business non-domestic multiplier for the year was 48.0p (46.6p in 2017/18).

**55 Council Tax**

Council Tax derives from charges raised according to the value of residential properties which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The increase in the tax base between financial years is as a result of a combination of new builds and a reduction in the level of Council Tax discounts and exemptions. The tax base for 2018/19 is follows:

Band	Estimated No. of Taxable Properties after effects of Discounts Exemptions + Other Adjustments	Ratio	2018/19	2017/18
			Band D Equivalent Dwellings	Band D Equivalent Dwellings
-A	24.01	5 / 9	13.34	14.24
A	15,139.99	6 / 9	10,093.32	10,010.89
B	5,009.21	7 / 9	3,896.05	3,744.95
C	3,770.76	8 / 9	3,351.79	3,234.54
D	2,274.21	9 / 9	2,274.21	2,208.11
E	998.00	11 / 9	1,219.77	1,213.06
F	299.33	13 / 9	432.37	422.77
G	109.80	15 / 9	183.00	180.13
H	4.91	18 / 9	9.82	11.78
<b>Council Taxbase prior to adjustment for Collection Rate</b>			<b>21,473.68</b>	<b>21,040.47</b>

**56 Allocation of Collection Fund Surpluses and Deficits**

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies based on precept amounts, in the subsequent financial year. Deficits are proportionately charged to the relevant precepting bodies in the following year. For Bolsover, the Council Tax precepting bodies are Derbyshire County Council, Derbyshire Police Authority and the Derbyshire Fire Authority.

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions, as detailed in note 54. Deficits are proportionately charged to the relevant precepting bodies in the following year.

The Business Rates Pilot has meant for 2018/19 the NNDR surplus/deficit is a net figure. This is made up of a surplus on the pilot proportions of £3.396m and a deficit on the brought forward balance for the pool of £3.648m. As discussed in note 54, Central Government is not part of the pilot.

<b>2017/18 NNDR £000</b>	<b>2017/18 Council Tax £000</b>		<b>2018/19 NNDR £000</b>	<b>2018/19 Council Tax £000</b>	<b>2018/19 Total £000</b>
1,318	(6)	Bolsover District Council	(239)	41	(198)
296	(28)	Derbyshire County Council	(1,335)	174	(1,161)
0	(4)	Derbyshire Police Authority	0	28	28
33	(2)	Derbyshire Fire Authority	2	10	12
1,647	0	Central Government	1,824	0	1,824
3,294	(40)	(Surplus)/Deficit	252	253	505

**57 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

There have been no prior period adjustments made to the Council's 2017/18 published financial statements during 2018/19.

**Bolsover District Council**

**Audit Committee**

**29<sup>th</sup> July 2019**

**Committee Work Programme 2019/20**

**Report of the Chief Accountant and S151 Officer**

This report is public

**Purpose of the Report**

- To enable the Committee to consider an appropriate work programme for the municipal year 2019/20.

**1 Report Details**

- 1.1 The Audit Committee is an important aspect of the Council's governance framework. It sets the tone from the top of the organisation and has the power to make recommendations to full council, the executive or to whomever it considers best placed to deal with the committee's concerns.
- 1.2 The Audit Committee is likely to deal with the following issues:
- Ensuring the Council has a comprehensive set of procedures and rules, such as financial regulations.
  - Discussing the work of internal and external audit and other inspection agencies as appropriate.
  - Risk management policies and procedures.
  - Reviewing and approving the Statement of Accounts.
  - Reviewing and approving the Annual Governance Statement.
- 1.3 A work programme ensures the Committee has a structure in place to enable the systematic consideration of the issues it has responsibility for.
- 1.4 The proposed work programme is set out in **Appendix 1**. There are some items in the programme which must be approved at specific meetings such as the approval of the Statement of Accounts but there is also flexibility allowed with regular items. Matters may also be added or removed as appropriate throughout the year.

**2 Conclusions and Reasons for Recommendation**

- 2.1 To enable the Committee to consider its work programme for 2019/20.

**3 Consultation and Equality Impact**

- 3.1 There are no consultation and equality impact implications from this report.

#### **4 Alternative Options and Reasons for Rejection**

- 4.1 The option of not having a work programme is considered not appropriate as the absence of a clear programme of work could undermine the effectiveness of the Committee.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

The development of a work programme for Audit Committee will provide a structure to assist and support the Committee's work. This will help to ensure the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The programme is designed to allow the Audit Committee to continue its flexible approach to its work and consider the range of matters within its remit.

There are no financial implications arising from this report.

##### **5.2 Legal Implications including Data Protection**

There are no legal issues or data protection matters arising directly from this report.

##### **5.3 Human Resources Implications**

There are no human resource implications arising from this report.

#### **6 Recommendations**

- 6.1 That the Committee notes and endorses the Audit Committee work programme for 2019/20 as set out in **Appendix 1**.

#### **7 Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has relevant Portfolio Member been informed?</b>	Yes

<b>District Wards Affected</b>	None directly
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

**8 Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Audit Committee work programme 2019/20
<b>Background Papers</b> (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)	
<b>Report Author</b>	<b>Contact Number</b>
Theresa Fletcher – Chief Accountant and S151 Officer	01246 242458

Audit Committee work programme 2019/20

<u>Meeting Date</u>	<u>Item</u>
29 <sup>th</sup> July 2019	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Implementation of Internal Audit recommendations</li> <li>• Internal Audit consortium 2018/19, Annual Report</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Report to those charged with Governance – Audit completion report</li> <li>• BDC Statement of Accounts 2018/19</li> <li>• Audit Committee proposed work programme 2019/20</li> </ul>
26 <sup>th</sup> November 2019	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Implementation of Internal Audit recommendations</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Fighting Fraud and Corruption Locally</li> <li>• Audit Committee – Self assessment for effectiveness</li> <li>• CIPFA’s statement on the role of the head of internal audit</li> <li>• Report of External Auditor – Annual Audit letter 2018/19</li> </ul>

<p>28<sup>th</sup> January 2020</p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Report of External Auditor – Audit Strategy Memorandum 2020/21</li> <li>• Accounting policies 2019/20</li> </ul>
<p>28<sup>th</sup> April 2020</p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Report of Internal Audit – Internal Audit Plan from 2020/21</li> <li>• Report of External Auditor – Progress report and technical update</li> <li>• Annual Governance Statement and Local Code of Corporate Governance</li> </ul>
<p>26<sup>th</sup> May 2020</p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Implementation of Internal Audit recommendations</li> <li>• Internal Audit Consortium 2019/20 – Annual Report</li> </ul>

**Bolsover District Council**

**Audit Committee**

**29<sup>th</sup> July 2019**

**Strategic Risk Register and Partnership Arrangements**

**Report of the Joint Strategic Director - People**

This report is public

**Purpose of the Report**

- To enable the Audit Committee to consider the attached report concerning the Strategic Risk Register which will be considered by Executive at its meeting of 16<sup>th</sup> September 2019.

**1 Report Details**

- 1.1 To update Members of the Audit Committee concerning the Strategic Risk Register. Any comments expressed by the Audit Committee will be taken into account in developing both the Council's risk management reports and wider risk management arrangements.

**2 Conclusions and Reasons for Recommendation**

- 2.1 These are detailed in the attached report.

**Reasons for Recommendation**

- 2.2 To ensure that the Audit Committee are kept informed concerning the Council's latest position regarding Risk Management and Partnership working and are able to exercise effective influence on the Council's Risk Management arrangements.

**3 Consultation and Equality Impact**

**Consultation**

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

**Equalities**

- 3.2 There are no direct implications arising from this report.

#### 4 **Alternative Options and Reasons for Rejection**

4.1 These are detailed in the attached report.

#### 5 **Implications**

##### 5.1 **Finance and Risk Implications**

5.1.1 These are detailed in the attached report.

##### 5.2 **Legal Implications including Data Protection**

5.2.1 These are detailed in the attached report.

##### 5.3 **Human Resources Implications**

5.3.1 These are detailed in the attached report.

#### 6 **Recommendations**

6.1 That the Audit Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which will be considered by Executive at its meeting on 16<sup>th</sup> September 2019.

#### 7 **Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	None directly
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

8 **Document Information**

Appendix No	Title	
A	Executive Report 16 September 2019 –Strategic Risk Register and Partnership Arrangements	
<b>Background Papers</b> (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)		
Service Plan Risk Registers Strategic Risk Register		
Report Author		Contact Number
Lee Hickin – Joint Strategic Director People		7218

**Bolsover District Council**

**Executive**

**16<sup>th</sup> September 2019**

**Strategic Risk Register and Partnership Arrangements**

This report is public

**Report of the Portfolio Holder - Finance & Resources**

**Purpose of the Report**

- To update Members concerning the current position regarding Risk Management and Partnership Arrangements and to seek approval for the revised Strategic Risk Register as at 31<sup>st</sup> March 2019, as part of the suite of Finance, Performance and Risk reports.
- To seek approval for the Joint Strategic Director – People, to undertake a comprehensive review of the Council’s Risk Management Framework.

**1 Report Details**

**Background**

- 1.1. The Council’s Strategic Risk Register has been developed with consideration to the strategic and operational risks which have been identified by Elected Members and Officers as part of the Council’s risk, service management and quarterly performance arrangements.
- 1.2. 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 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 arrangements of the Council. From a Governance perspective the effective operation of Risk Management is 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 helps enable a fully informed decision to be made, and helps 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 ensuring the organisation has a good awareness of its overall risk exposure, whilst helping determine an appropriate level of financial reserves.

## The Strategic Risk Register

- 1.3. The revised Strategic Risk Register as at 31 March 2019 is set out in **Appendix 1** for consideration by Executive. 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 remove any risks that have been resolved to maintain a focus on current risks.
  - To revisit risk scores assessments and ensure that appropriate mitigation remains in place.
- 1.4. Overall a key theme 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 and of ensuring that the Council mitigates the risk of a catastrophic event or service failure impacting upon our community. This objective needs to be secured against a background of both declining and less certainty concerning financial resources. Allied to the financial position local authorities are faced with, significant legislative change impacting upon Housing, Planning, the welfare system, devolution and finance. These developments are anticipated 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.
- 1.5. During the preparation of the 2018/19 Annual Governance Statement the key issues highlighted were the continued uncertainties associated with Brexit, failure of the Local Plan to progress to submission stage and to be found sound at independent examination and the ability to recruit and retain appropriately qualified staff. In addition, in light of the level of savings that are needed to be identified over the period of the current MTFP, concerns were reiterated regarding the challenges in respect of securing these savings against a background in which some services were experiencing increased pressures as a result of other agencies withdrawing services. The uncertainties arising from Brexit and legislative changes are incorporated within the same Strategic Risk (Risk 1) as outlined in **Appendix 1**. The issue of the loss of key staff and the difficulties being experienced in finding suitable replacements continues to be a widespread concern expressed by managers. This issue already featured within the Strategic Risk Register and is detailed as Strategic Risk 5 within **Appendix 1**, while the issue of financial pressures is covered by Strategic Risk 2 within **Appendix 1**. The failure of the Local Plan to progress to submission stage and to be found sound at independent examination is included in **Appendix 1** as Strategic Risk 11.

## **Partnership Arrangements.**

- 1.6 As part of the Council's Risk Management Strategy (including Partnership Working) a range of strategic partnerships are reported on and monitored within the Council's quarterly report in respect of Risk. These are complementary to the Partnership Funding and Performance Monitoring reports prepared by the Partnership Strategy and Policy Team to Executive twice a year which sets out the range of partnerships it works directly with. While the Partnership Strategy and Policy Team co-ordinate the Council's work with these external organisations it should be noted that many of these have been assessed as being of relatively limited risk, with officers adopting a 'light touch' approach in developing appropriate working relationships.
- 1.7 While there will invariably be an overlap between the two reports, this report will focus on what might be termed as the Council's strategic partnerships. These are as follows:
- The relationship with the North Midlands authorities (Derbyshire and Nottinghamshire) and Sheffield City Region in progressing the economic development and devolution agenda.
  - The strategic alliance with North East Derbyshire District Council which is central to the transformation agenda of delivering services at lower costs whilst enhancing service resilience.
  - Arrangements with Derbyshire County Council amongst others to secure aligned services across the public sector in areas such as health and economic development.
  - The Community Safety Team and associated statutory partners including the Police.
- 1.8 Although the Partnerships outlined above are very different in terms of scope and working arrangements they all have in place formal governance arrangements between the partners, supported by appropriate internal governance arrangements which cover performance, finance and risk. Appropriate approvals have been agreed through the Council's formal committee arrangements, with partnership issues and developments being considered as is required within this Council's constitution. The arrangements in place are intended to be both risk based and proportionate to the risk exposure of this Council.
- 1.9 The risks facing the Council are many and varied, the approach to managing those risks should be applied within all decision making processes to one degree or another. The risks facing the Council have, do and will change over time – some will continually change. The approach to risk management too should be continual and the risks and approach to managing them should be reviewed regularly. It is proposed therefore, that a comprehensive review of the Council's Risk Management Framework is undertaken to ensure that the continued effective and systematic management of risk is achieved.

## **2 Conclusions and Reasons for Recommendation**

- 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 appropriately cover all of the issues facing the Council. The section of Partnerships serves to highlight the extent of these working arrangements, together with the mechanisms which are in place for their successful management.

### **Reasons for Recommendation.**

- 2.2 To enable Executive to consider the risks identified within the Strategic Risk Register / Partnership Arrangements in order to assist in maintaining effective governance arrangements, service and financial performance.

## **3 Consultation and Equality Impact**

### **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 Alternative Options and Reasons for Rejection**

- 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. 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. Given that this report is part of the approach to help ensure the effective management of risk / partnerships there is not an alternative to the presentation of a formal report.

## **5 Implications**

### **5.1 Finance and Risk Implications**

#### **Financial**

- 5.1.1 There are no additional financial implications arising out of this report at this stage. 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**

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

### **5.2 Legal Implications including Data Protection**

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

### 5.3 Human Resources Implications

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

## 6 Recommendations

6.1 That Executive approves the Strategic Risk Register as at 31<sup>st</sup> March 2019 as set out in **Appendix 1**.

6.2 That Executive approves the Joint Strategic Director – People, to undertake a comprehensive review of the Council’s Risk Management Framework.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <i>BDC: Revenue - £75,000</i>  <i>Capital - £150,000</i> <input type="checkbox"/>  <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/>  <i>Capital - £250,000</i> <input type="checkbox"/>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed</b></p>	Yes
<p><b>District Wards Affected</b></p>	None directly
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

## 8 Document Information

Appendix No	Title
1	Strategic Risk Register as at 31 <sup>st</sup> March 2019
<p><b>Background Papers</b> (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)</p>	
Service Plan Risk Registers	
<b>Report Author</b>	<b>Contact Number</b>
Lee Hickin – Joint Strategic Director People	7218

STRATEGIC RISK REGISTER SUMMARY AS AT: 31<sup>st</sup> MARCH 2019

	<b>Risk</b>	<b>Consequences</b>	<b>Risk Score (Likelihood x Impact)</b>	<b>Risk Score (Likelihood x Impact) Taking into Account Current Controls</b>	<b>Risk Owner / Lead Officer</b>
1	Government Legislation / Parliamentary uncertainty / impact of Brexit / adverse external economic climate has an accelerating impact on Council (poor financial settlement), or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction.	<ul style="list-style-type: none"> <li>• Unable to deliver a package of services that meet changing local needs and aspirations.</li> <li>• Reduced influence over delivery of local services.</li> <li>• Unable to effectively support local communities.</li> <li>• Increased demands on Council services at a time when Council resource base is reducing.</li> </ul>	4,4, <b>16</b>	3,4 <b>12</b>	SAMT / Political Leadership
	<ul style="list-style-type: none"> <li>• The Council is outward looking and actively works to understand proposed changes and the approaches that might be adopted to mitigate any adverse impacts of these.</li> <li>• The Council has effective political and managerial (governance) arrangements in place to manage change.</li> <li>• Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery.</li> <li>• Effective engagement with staff to ensure they embrace necessary change.</li> </ul>				
2	Failure to deliver a balanced budget in line with the MTFP, at a time when	<ul style="list-style-type: none"> <li>• Impact upon ability to deliver current level of services.</li> </ul>	4,4 <b>16</b>	3,4 <b>12</b>	Political Leadership / Chief Executive /

	the Council's reserves are limited to 'adequate' levels.	<ul style="list-style-type: none"> <li>• Unable to resource acceptable levels of service.</li> <li>• Significant adverse reputational Impact.</li> </ul>			Chief Financial Officer / SAMT
	<ul style="list-style-type: none"> <li>• The Council has effective financial and wider management arrangements in place to ensure budget / service delivery arrangements are robust.</li> <li>• The current MTFP indicates challenging but manageable savings targets. A key risk is that under 'localism' there is less certainty concerning income (NNDR, NHB).</li> <li>• The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year.</li> </ul>				
3.	<p>The Council is affected by a operational service failure which has a major impact upon the local community, this impact being reflected in the Council's sustainability and reputation. Failure could arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential 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.</p>	<ul style="list-style-type: none"> <li>• A significant service failure associated with a major impact on the local community, leading to a wider detrimental corporate impact.</li> <li>• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents.</li> <li>• Significant staff and financial resources required to resolve position, impacting on other services.</li> <li>• A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery.</li> </ul>	3,5 <b>15</b>	2,5 <b>10</b>	SAMT / Assistant Directors

	<ul style="list-style-type: none"> <li>• The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> <li>• The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. On going monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity.</li> </ul>				
4	<p>It becomes 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.</p>	<ul style="list-style-type: none"> <li>• Deterioration in services to the public.</li> <li>• Increasing inefficiencies in service provision.</li> <li>• Weakening of Internal Control arrangements.</li> <li>• Increased pressure on other members of staff.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Asst Director HR
	<ul style="list-style-type: none"> <li>• The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP.</li> <li>• There is sufficient funding to bring in agency staff where required to maintain service performance.</li> <li>• At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff.</li> <li>• Appropriate training budes are in place to ensure that staff receive necessary training to maintain service quality.</li> <li>• The Council will look at introducing appropriate apprenticeship / training schemes in order to develop employees to meet our requirements.</li> </ul>				

5	<p>Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.</p>	<ul style="list-style-type: none"> <li>• New initiatives are not delivered in a cost-effective manner.</li> <li>• Failure to maintain / improve services in line with local aspirations.</li> <li>• Failure to generate the savings required to balance the budget.</li> <li>• Financial savings measures weaken Governance / Internal Control arrangements.</li> <li>• Service deterioration / failure arising from capacity issues.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	SAMT / Chief Executive
<ul style="list-style-type: none"> <li>• The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives.</li> <li>• The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational ICT projects.</li> <li>• The Council has a robust performance management framework intended to highlight emerging issues.</li> </ul>					
6	<p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.</p> <p>The Council is exposed to cyber crime with a loss of data / systems resulting in a potential inability to provide</p>	<ul style="list-style-type: none"> <li>• Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire).</li> <li>• Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	Chief Executive / SAMT

	core services and incurring reputational damage.	<ul style="list-style-type: none"> <li>Business Continuity Plans prove ineffective in practice.</li> </ul>			
	<ul style="list-style-type: none"> <li>The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and that they are fit for purpose in a realistic 'trial' scenario.</li> <li>All sections have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity.</li> <li>The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective.</li> <li>The Council has put in place industry standard measures to minimise the risk of cyber crime.</li> </ul>				
7	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> <li>Failure to deliver high quality services which address national and local priorities.</li> <li>Deterioration in Governance Arrangements.</li> <li>Refocus of current services necessary with associated disruption.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	Chief Executive / Political Leadership Team
	<ul style="list-style-type: none"> <li>There are appropriate structured training arrangements in place for both Members and Officers.</li> <li>The Council is an outward looking organisation where both Members and Officers are encouraged to network with peer groups to ensure a developed awareness of the broader environment within which we operate.</li> </ul>				
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.	<ul style="list-style-type: none"> <li>Adverse Impact upon Service Quality.</li> <li>Failure to deliver high quality services which address national and local priorities.</li> <li>Significant adverse reputational impact.</li> </ul>	3,4 <b>12</b>	2,4 <b>8</b>	Chief Financial Officer / Monitoring Officer

	<ul style="list-style-type: none"> <li>• The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> <li>• The Council has an active Standards Committee and Audit Committee which provide independent review of the Governance arrangements in the Council.</li> <li>• The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements.</li> </ul>				
9	<p>HS2 - Without considerable environmental mitigation measures, HS2 will have a significant impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty. Impact on the motorway and main arterial routes during construction.</p> <p>Following the release of the Working Draft Environmental Statement, potential impacts and land take have increased. Therefore the impact score has been adjusted to reflect this.</p>	<p>Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty.</p>	4,5,20	4,5,20	SAMT / Political Leadership
	<ul style="list-style-type: none"> <li>• CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures.</li> <li>• Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures.</li> <li>• Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study</li> </ul>				

10	Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.	<ul style="list-style-type: none"> <li>• Profile of safeguarding is poor</li> <li>• Staff and members do not know what safeguarding is and their role within it</li> <li>• Staff and members do not know how to spot the signs</li> <li>• Staff and members do not know how to report it and to who?</li> <li>• Lack of public confidence in Council policies plans and staff</li> <li>• Reputational damage</li> <li>• Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death</li> </ul>	4,4, <b>16</b>	2,4, <b>8</b>	SAMT/Political Leadership
<ul style="list-style-type: none"> <li>• The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities.</li> <li>• The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services.</li> <li>• Staff recognised as appropriate to do, are DBS/CRB checked</li> <li>• All staff receive mandatory safeguarding training</li> <li>• Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do</li> <li>• The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council.</li> <li>• The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Childrens Board and Derbyshire Safeguarding Adults Board</li> <li>• The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board ( DSAB)</li> </ul>					

11	Failure of BDC Local Plan to be found sound at independent examination.	<ul style="list-style-type: none"> <li>• Potential Government intervention</li> <li>• Undermining the local plan</li> <li>• Reputational damage</li> <li>• Loss of control of planning and development</li> </ul>	4,4, <b>16</b>	2,4, <b>8</b>	SAMT / Political Leadership
<ul style="list-style-type: none"> <li>• At an advanced stage in preparation of the Local Plan. Public consultation on the main document took place in May 2018, and submitted at the end of August 2018.</li> <li>• Successfully avoided Government intervention in the plan-making process and it is important that the revised timetable continues to be met.</li> <li>• The Council has taken reasonable steps in the preparation of the Plan to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice and securing an advisory visit with the Planning Inspectorate.</li> </ul>					