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The Arc
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To: Chair & Members of the Audit Committee

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Wednesday 12th February 2025

Dear Councillor

EXTRAORDINARY AUDIT COMMITTEE

You are hereby summoned to attend an extraordinary meeting of the Audit Committee of the Bolsover District Council to be held in the Council Chamber on Thursday 20th February 2025 at 10:00 hours.

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

You will find the contents of the agenda itemised on page 3.

Yours faithfully

J. S. Fieldsend

Solicitor to the Council & Monitoring Officer

Equalities Statement

Bolsover District Council is committed to equalities as an employer and when delivering the services it provides to all sections of the community.

The Council believes that no person should be treated unfairly and is committed to eliminating all forms of discrimination, advancing equality and fostering good relations between all groups in society.

Access for All statement

You can request this document or information in another format such as large print or **language** or contact us by:

- **Phone:** 01246 242424
- **Email:** enquiries@bolsover.gov.uk
- **BSL Video Call:** A three-way video call with us and a BSL interpreter. It is free to call Bolsover District Council with Sign Solutions, you just need Wi-Fi or mobile data to make the video call, or call into one of our Contact Centres.
- Call with Relay UK - a free phone service provided by BT for anyone who has difficulty hearing or speaking. It's a way to have a real-time conversation with us by text.
- **Visiting** one of our offices at Clowne, Bolsover, Shirebrook and South Normanton

EXTRAORDINARY AUDIT COMMITTEE
AGENDA

Thursday 20th February 2025 at 10:00 hours taking place in the Council Chamber, The Arc, Clowne

Audit Completion Report

Bolsover District Council– year ended 31 March 2024

February 2025

Agenda Item 3

Audit Committee
Bolsover District Council
The Arc,
High Street
Clowne
S43 4JY

Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

12 February 2025

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26th September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 28 February 2025. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 1

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will provide further updates to future meetings of this committee. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

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 on 0788283527

Yours faithfully

Signed: James Collins (Feb 12, 2025 09:36 GMT)

James Collins

Forvis Mazars LLP

Contents

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.

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26th September 2024. The government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is both pervasive and material to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

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. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our Council single-entity provisional materiality at the planning stage of the audit was set at £1.3m using a benchmark of 2% of gross operating expenditure.

Our provisional group materiality at the planning stage of the audit was set at £1.5m using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 26th September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

Audit Approach

Significant risks

Management override of controls

Description of the risk

In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

As a result of the backstop arrangements, we have not completed our work with respect journals posted by s151 officer

Audit conclusion

From our journals testing, we identified some journals were posted by S151 officer. We have raised an internal control recommendation in section 3

Audit Approach

Significant risks continued

Valuation of the LGPS defined benefit pension

Description of the risk

The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Derbyshire Pension Fund.

The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.

As part of our testing, procedures will be performed on the net defined liability held by **Dragonfly Development** Limited

How we addressed this risk

- Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary;
- Liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- 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 will include comparing them to expected ranges, utilising information by PwC and 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 disclosures in the Council's financial statements. In the event of a pension surplus arising in 23/24, its accounting treatment will require specific consideration under IFRIC 14.

Audit conclusion

As a result of the backstop arrangements we have not fully concluded our work.

Audit Approach

Significant risks continued

Valuation of land, buildings, and investment properties

Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of land, buildings and investment properties.
Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations.

We have therefore identified the valuation of land, buildings and investment properties to be an area of significant risk.

How we addressed this risk

- Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund’s Actuary;
- Critically assessing the Council's valuer’s scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies;
- Assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;
- Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuers

Audit conclusion

We have identified one misstatement that has not been amended for in the financial statements on the basis of materiality. Additionally, we have raised a recommendation in respect to property, plant and equipment valuations. Further information of these can be found in section 3 of this report

forvis mazars

Audit Approach

Enhanced risks

Group Consolidation

Description of the risk

The Council is consolidating Dragonfly Group (Dragonfly Development Limited and Dragonfly Management) and producing group accounts for the first time in the 2023/24 financial statements. The Council will be required to consolidate their subsidiaries balances on a line-by-line basis and remove intra-group transactions. Being the first year, there is a risk the Council will not identify all consolidation adjustments or the adjustments may be incorrect.

We also understand that employees transferred to the Group and consequently there is a risk that costs, assets and liabilities associated with the Dragonfly Group have not been correctly removed from the Council accounts.

How we addressed this risk

- Review and assess the controls and processes that the Council has in place to prepare group accounts;
- Perform substantive procedures on the consolidation adjustments; and
- Perform recalculations on the consolidation schedules to ensure mathematical accuracy

We also tested any assets, liabilities and costs transferred to the subsidiaries on the 1 April 2023 have been correctly accounted and removed from the Council's financial statements.

Audit conclusion

The Group financial statements included material errors and the Council was unable to provide sufficient, appropriate evidence to support the figures in the Group financial statements were free from material misstatement. As a result of the backstop arrangements, we have not completed our work in this area and a disclaimer opinion is to be issued.

Audit Approach

Outcome of Audit Work

This section outlines the work we have completed on the audit. It is important however to emphasise that our opinion is disclaimed consequently, no assurance is provided on the financial statements, or any area outlined in the table below.

Area	Status
Financial statement level work	Completed
Movement in Reserves Statement	Completed
Income	Completed
Expenditure	Started not completed
Cash flow statement	Completed
Investment properties	Completed
Property, plant and equipment	Completed
Investments	Completed
Debtors	Completed
Cash and cash equivalents	Completed
Loans and borrowings	Completed

Area	Status
Creditors	Completed
Pensions	Started not completed
Financial instruments	Completed
Housing Revenue Account	Completed
Collection fund	Completed
Provisions	Completed
Group accounts	Started not completed
Journals	Started not completed

Status key

- Not started
- Started not completed
- Completed

Audit Approach

Outcome of Audit Work

This section outlines the work we have completed on entries in the group accounts associated with Dragonfly companies audit. It is important however to emphasise that our opinion is disclaimed consequently, no assurance is provided on the financial statements, or any area outlined in the table below.

Area	Status
Debtors	🟡
Creditors	🟡
Cash and cash equivalents	🟢
Payroll	🟡
Pensions	🟢
Journals	🟢

Status key

🔴 Not started

🟡 Started not completed

🟢 Completed

Audit Approach

Group audit approach

Group component	Planned audit approach	Key points or matters to report
Dragonfly Development Limited	●	Our audit strategy memorandum outlined full scope audit procedures by component auditors. In addition, the following specific procedures to be performed by the group audit team: • Audit of the company’s defined benefit pension asset valuation; • Review of the group consolidation process. As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.
Dragonfly Management (Bolsover) Limited	●	Our audit strategy memorandum outlined full scope audit procedures by component auditors. In addition, the following specific procedures to be performed by the group audit team: • Audit of the company’s defined benefit pension asset valuation; • Review of the group consolidation process. As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.

● **Full audit**
Performance of an audit of the component’s financial information prepared for group reporting purposes using component materiality

● **Audit of balances and/or disclosures**
Performance of an audit of specific balances and/or disclosures included in the component’s financial information prepared for group reporting purposes, using component materiality

● **Specific audit procedures**
Performance of specific audit procedures on the component’s financial information

● **Review procedures**
Review of the component’s financial information prepared for group reporting purposes using the component materiality assigned

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are both pervasive and material, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2023/24 financial statements by 28 February 2025. In particular our report highlights that the Group financial statements included material errors and the Council was unable to provide sufficient, appropriate evidence to support the figures in the Group financial statements were free from material misstatement.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

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 2023/24 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. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Delays in the production of group accounts supported by appropriate working papers - The initial draft group accounts prepared by the Council contained material errors due to inconsistencies in the reporting periods for the year ended 31 March 2024 and 31 March 2023. The Council was unable to provide sufficient appropriate evidence to support the figures in the Group financial statements were free from material misstatement. The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.
- Implications of the backstop arrangements

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

Other than the matters associated with the Group accounts during the course of the audit we did not encounter any significant difficulties. We have had the full co-operation of management.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit Committee.

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Other observations on internal control

We also report to you, our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management directly and have been included in this report for your information.

Whether internal control observations merit attention by the Audit Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Our observations on internal control

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

During our testing of Journals, we identified 55 journals posted by the Section 151 Officer. The Council confirmed this was due to Dragonfly incorporation and lack of capacity in the finance team.

Potential effects

If the Section 151 Officer is involved in the accounts preparation there is a risk the internal control checks are not effective as the S151 Officer could be reviewing their own work. This increases the risk material errors are missed in the accounts process.

Recommendation

The Council should ensure the finance team has the necessary capacity to meet its responsibilities

Management response

A new principal accountant post has recently been established and appointed to. We expect the officer to be in post by mid-May. In the meantime, a temporary interim accountant has been with the Council since November to increase capacity. This post will be extended through April and May to ensure there is extra capacity in the finance team throughout the 2024/25 final accounts preparation process. Finally, the Section 151 officer will no longer post any journals.

Our observations on internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

PPE revaluations
In our testing of the underlying data used to calculate the value of assets, there was a delay in the Council being able to find and provide data to validate the floor areas used to support the valuations.

Potential effects

Without this information being saved in the Council working papers there is a risk that internal review of the valuations is not effective and may miss material errors.

Recommendation

The Council should maintain in its working papers, underlying data. This will ensure the review process is effective.

Management response

The Council's valuer has now obtained plans and measurements for the properties identified where this was missing. As part of the 2024/25 year end work, working papers for all assets will be reviewed.

Our observations on internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

The Council did not prepare a reconciliation between the payroll system and the employee expenses in the general ledger and financial statements.

Potential effects

There is a risk that payroll expenditure could be incomplete, or that items could be misclassified in the financial statements between employee expenses and other expenditure

Recommendation

The Council should prepare a year-end reconciliation between the employee expenses value in the financial statements, and the payroll system.

Management response

This reconciliation was omitted in error for 2023/24 following the retirement of a long-standing member of the finance team. This reconciliation will be performed throughout the year for 2024/25, and a year end reconciliation will be provided at audit.

Follow up on previous year recommendations

Description of deficiency

The Council holds its investment in subsidiary at fair value through profit and loss in its single entity accounts. Through review of this area during the audit we noted that despite the Council's accounting policy the Council has not performed fair valuation of its investment in Dragonfly Development Ltd as at 31 March 2023. The investment has been disclosed at cost (£364k). Based on our review and nature of the investment, we note that the value disclosed is not materially different to what would be considered the fair value of the subsidiary.

Potential effects

Non-compliance with the Council's accounting policy could lead to a material misstatement in the accounts.

Recommendation

The Council should ensure that the subsidiary is fairly valued at each reporting date. This assessment should be clearly documented, and the assumptions used should be readily available for audit.

2023/24 update

Our work in 2023/24 has not identified any matters to report

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Summary of amendments to the financial statements

The Council's Director of Finance authorised the Council's draft financial statements for issue.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Material errors were identified in the group accounts which have been amended by the Management. However, as a result, of the backstop arrangements, we have not completed our work in this area and provide no assurance over the material accuracy of the amended group accounts.

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Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£’000)	Cr (£’000)	Dr (£’000)	Cr (£’000)
Dr: Revaluation Reserve			52	
Cr: Property, Plant and Equipment				52
Adjustments due to overstatement in revaluation of property.				
Dr: Income	73			
Cr: Accrued Income				73
Income recognised in 2023/24 relating to 2024/25. Note this an extrapolated error				
Aggregate effect of unadjusted misstatements	**73**	**0**	**52**	**125**

Summary of amendments to the financial statements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 11, Property, plant and Equipment: Revaluations table amended to update community assets carried at Fair value instead of historic cost.
- Note 14 Financial Instruments: Note amended to include fair value of Strategic investment and description of other long- term loans updated to other loans to make it consistent.
- Note 16, Capital Commitments: Capital commitments have been adjusted for accruals which were incorrectly included in the balance disclosed. An adjustment of £0.138m has been reflected in the revised disclosure.
- Note 23b, Capital Adjustment Account: Note amended to move amortisation of intangible assets from the ‘charges for depreciation and impairment of non-current assets’ line to ‘Amortisation of intangible assets’ line.
- Note 30, Officer’s Remuneration: Amendments were made within note 30, Dragonfly Directors were initially excluded which is now reflected in the revised disclosure
- Note 31, Audit Fee updated to exclude fees payable to other audit firms for grant certification.
- Note 33, Related Parties: The following related parties were initially omitted by the Council and management has agreed to amend this disclosure
  - Derbyshire County Council receipts updated to £2.446m
  - Pinxton Parish Council receipts amended to £0.175m
  - Total receipts from organisations in which members had an interest amended to £1.144m
  - Receipts and payments from Dragonfly group have not been amended
- Note 54, Allocation of Collection Fund Surpluses and Deficits: Text amended to include “Total (surplus)/deficit”

A number of typographical, signage, casting and spelling errors have also been corrected by management.

04

Value for Money arrangements

Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in February 2025

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and have identified 1 significant weakness in arrangements and have made associated recommendations. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our draft audit report at Appendix B confirms that we have matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in February 2025

Value for Money

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported that we had identified no risks of significant weaknesses in arrangements. As detailed in our Audit Strategy Memorandum our risk assessment procedures are a continuous process. During our audit we identified the following risk of significant weakness in arrangements.

Risk of Significant Weakness in Arrangements		Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
1	**Group accounting** In 2023/24 the Council produced group accounts for the first time. During our audit of the group we identified errors and uncertainties in the draft group accounts. There were also delays in the Council obtaining required information necessary for the production of group accounts.		●		**Work undertaken** We have considered the findings of our audit procedures and determine if the matters identified are indicative of a significant weakness in arrangements. **Results of our work** See following page.

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements		Financial Sustainability	Governance	Improving the 3Es	Recommendation for improvement	Council response
31	**Accounting and Governance Arrangements of Dragonfly companies** The Council published its draft statement of accounts for the 2023/24 financial year in July 2024, including group accounts. This is the first year that the Council has been required to prepare group accounts, incorporating the financial results of both the Council and its wholly-owned subsidiary companies (collectively referred to as "Dragonfly companies"). However, the draft group accounts contained material errors due to inconsistencies in the reporting periods for the year ended 31 March 2024 year and prior year balances (year ended 31 March 2023). Further, there were delays in obtaining the financial statements of Dragonfly Companies (Dragonfly Development Ltd and Dragonfly Management (Bolsover) Ltd) from their consultants and external auditors to enable the production of final group accounts. These delays meant the Council was not able to finalise the production of updated group accounts for the 2023/24 financial year until January 2025, a delay of 6 months over the expected timetable. As a result of the delay we were unable to complete our audit procedures before the backstop date of 28th February 2025, leading to the Council's statement of accounts being disclaimed. Without proper arrangements to support the production of its draft statement of accounts (which incorporate full range of activities of the Council's group) and the audit of those accounts, the Council risks a continuation of failure to meet the requirement to publish an audited statement of accounts. These matters, in our view, are evidence of a significant weakness in the Council's governance arrangements, in particular how the body ensures its statutory financial reporting requirements for the financial year ended 31 March 2024.		●		The Council should ensure that proper arrangements are established to ensure the timely production of the group statement of accounts, aligning with statutory reporting deadlines. This timetable should be clearly articulated to all stakeholders within the Group.	The officers within Dragonfly were informed of timetable deadline in advance and met them. Dragonfly auditors also agreed in advance the deadlines, but did not adhere to them and caused the delays. For 2024/25, Dragonfly have appointed a new auditor.

forvis mazars

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

Mazars LLP
The Corner,
Newcastle,
NE1 1DF
Xx/02/2025

Dear James,

Bolsover District Council and Group - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Bolsover District Council the Council and Group for the year ended 31 March 2024. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

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, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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 and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 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.

Appendix A: Draft management representation letter

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

Accounting estimates, including those measured at fair value
I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework

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 and Group 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, as amended by the Code Update 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 and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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 and Group 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 and Group'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 requirements of the Code, as amended by the Code update and applicable law.

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Appendix A: Draft management representation letter

Future commitments
The Council and Group has no 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, as amended by the Code Update 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.

Impacts of Russian Forces entering Ukraine
I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 6 to the financial statements fairly reflects that assessment

Covid-19
I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 6 to the financial statements fairly reflects that assessment.

Brexit
I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern
To the best of my knowledge there is nothing to indicate that the Council and Group 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.

Annual Governance Statement
I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Appendix A: Draft management representation letter

Narrative Report
The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group’s financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)
I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

s151 officer

Appendix B: Draft audit report

Independent auditor’s report to the members of Bolsover District Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Bolsover District Council (“the Council) and its subsidiaries (‘the Group’) for the year ended 31 March 2024, which comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, , the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund Income and Expenditure Account 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 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 (‘The Amendment Regulations’) came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor’s opinion for the year ended 31 March 2024, by 28 February 2025 (‘the backstop date’).

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures. Further, the Group financial statements included material errors and the Council was unable to provide sufficient, appropriate evidence to support the figures in the Group financial statements were free from material misstatement.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2024:

Significant weakness in arrangements	Recommendation
The Council published its draft consolidated statement of accounts that contained material errors and failed to obtain, in a timely manner, the required financial information from the group components (Dragonfly Companies). This resulted in delays in correcting the group statement of accounts for the year ended 31 March 2024, through to January 2025, some 6 months after the statutory reporting deadline, resulting in a disclaimed audit opinion. These matters are evidence of a significant weakness in the Council's governance arrangements for the financial year ended 31 March 2024.	The Council should ensure that proper arrangements are established to ensure the timely production of the group statement of accounts, aligning with statutory reporting deadlines. This timetable should be clearly articulated to all stakeholders within the Group.

Appendix B: Draft audit report

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

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.

Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts

[*Signature*]

James Collins,

Key Audit Partner
For and on behalf of Forvis Mazars LLP

The Corner, Newcastle upon Tyne, NE1 1DF

[Date]

Appendix C: Confirmation of our 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

Forvis Mazars

James Collins
Director
Tel: 0191 383 6331
james.collins@mazars.com

Appendix 1

Auditor’s Annual Report DRAFT

Bolsover District Council – year ended 31 March 2024

February 2025

forvis mazars

Contents

01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Bolsover District Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
We issued our audit report on [insert date]. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its financial statements.

Value for Money arrangements
In our audit report we reported that we were not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements that is relevant to the 2023/24 financial year. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendations and the weaknesses identified.

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Wider reporting responsibilities
We are unable to complete our work on the Council’s Whole of Government Accounts return until we have been provided with group instructions by the NAO and clearance on whether we will be required to undertake additional procedures as a sampled component.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on [insert date], we have not expressed an opinion on the Council's financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in July 2024. Whilst the Council's Financial statements were of a good quality, the Group financial statements included material errors and the Council was unable to provide sufficient, appropriate evidence to support the figures in the Group financial statements were free from material misstatement. Further detail is provided in Appendix A of this report

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties, and we have had the full co-operation of management.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
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 2023/24 audit.

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03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 21

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11-14	No	No	Yes – see commentary on page 12
Governance	15-17	Yes – see risk on page 16	Yes – see recommendation on page 21	No
Improving economy, efficiency and effectiveness	18-19	No	No	No

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VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2022/23. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2023/24.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2023/24. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including reporting to Members. On the 30th January 2023 the council presented the Medium Term Financial Plan (MTFP) which showed a balanced budget for 2023/24. In its MTFP the council projected deficits where this would be funded by contributions from reserves, below we have figures from the revised budget for 203/24

Year	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Total Spending Requirement	16.684	18.189	18.270	14.094	14.274
Total Funding	16.666	18.189	18.270	14.094	14.274
Funding Gap (Surplus)	0.018	0	0	0	0

2023/24 Budget Setting and the Medium-Term Financial Plan

In developing the financial projections, the Council made several assumptions. The major assumptions including, staffing budgets as an estimate for a pay award. Investment income as a result of treasury management decisions has been increased slightly in all years of the MTFP as interest rates are expected to rise. Inflation specific budgets such as energy costs and fuel were amended to reflect anticipated price changes. With respect to planning fees, a base level for income had been included for all future years of £0.400m. Fees and charges service specific increases were as agreed by Members.

In 2022/23 the Council acquired an interest in a subsidiary Dragonfly Development Limited (DDL) as an investment to improve the Council's financial sustainability in the future whilst improving the provision of sustainable housing in the Bolsover district. A full business case was approved by Council in February 2022. Through review of the 2022/23 MTFP we noted the budget did not include any income and expenditure related to DDL. As a result, a recommendation was made in 2022/23 for inclusion of income and expenditure of DDL in MTFP. In 2023/24 the Council has still not included income and expenditure of DDL in MTFP on the grounds that the accounts were not yet finalised for DDL. Our review of outturn has not indicated a detrimental impact on the Council's position as a result of DDL. However we again recommend that DDL is clearly factored into the MTFP:

Other recommendation
We recommend that the Council explicitly includes the MTFP income and expenditure that relates to Dragonfly Development Limited.

We have confirmed that a monthly delivery update on Dragonfly is reported to Local Growth Scrutiny Committee. Additionally, the Executive Committee in year started receiving quarterly target performance report of Dragonfly starting Q2 24-25. We understand from discussion with officer the budget/MTFP will include DDL in future years. Based on work completed for the year ended 31 March 2024 we have not identified any matters to indicate any significant weakness in arrangements. We will review the arrangements for DDL further in our work for the year ended 31 March 2025. This will include the financial planning and governance arrangements associated with DDL.

Overall commentary on the Financial Sustainability reporting criteria – continued

2023/24 Statement of Financial Position and Outturn Report

The Council reported its financial outturn position in the 2023/24 Statement of Accounts. The General Fund balance has decreased to £2.001m in line with the MTFP. This was mainly caused by a £0.361m underspend on salaries through vacancy savings and £0.323m additional investment income from favourable business rates.

Directorates	Budget £m	Outturn £m	Variance £m
Community Services Directorate	8.411	7.895	(0.516)
Corporate Resources Directorate	1.594	1.467	(0.126)
Dragonfly Services	2.583	2.407	(0.176)

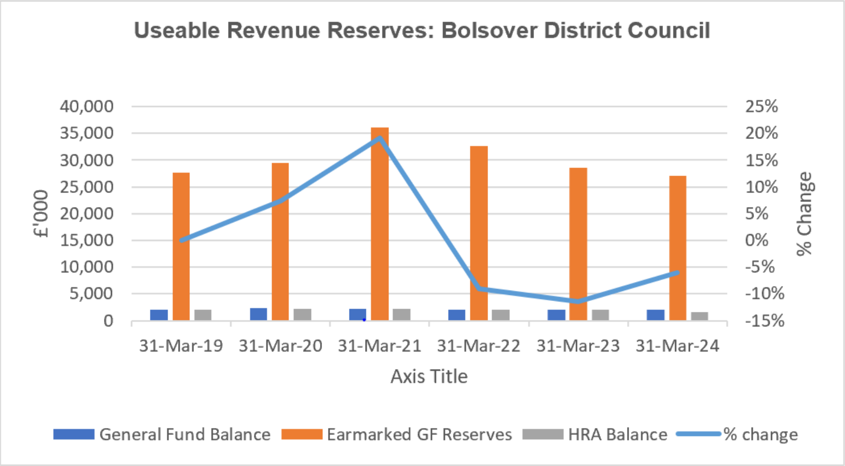
We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work has not highlighted any risks of a significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

The Council's usable reserves increased by £0.466m from £49.226m to £49.692 in 2023/24, with:

- General Fund & Earmarked Reserves of £30.571m, down from £32.291m in the prior year
- HRA Reserve of £3.186m, down from £3.473m in 2022/23
- Capital Reserves of £15.935m, up from £13.462m in 2022/23

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time as shown in the charts below. Overall, we are satisfied that the Council's overall reserves position does not give rise to risk of significant weakness in arrangements to secure financial sustainability.

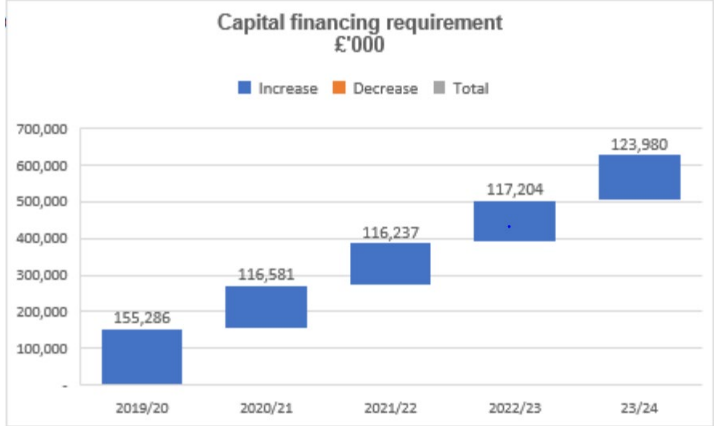


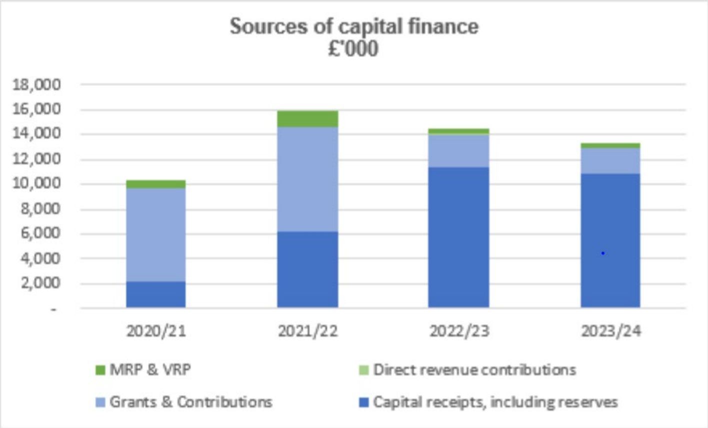
VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year and we have identified no evidence of a significant weakness in arrangements. We considered the Council's capital financing requirement (CFR) as set out in Note 34 of the financial statements, which has reduced from £155.286m in 2019/20 to £123.980m in 2023/24. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.





In 2023/24, the Council spent £19m on capital additions and £0.5m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our detailed testing of capital additions did not identify any issues and we have identified no evidence to indicate a weakness in arrangements impacting financial sustainability.

As part of paying down the capital financing requirement, the Council charged £0.364m to the general fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. The importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority. We reviewed the Council's Policy for 2023/24 and its supporting calculations as part of our work on the financial statements audit and have benchmarked the Council's charge against our database of other district Councils:

Minimum Revenue Provision as a % of the Capital Financing Requirement	2022/23	2023/24
District councils: average	3.4 %	3.4 %
District councils: bottom quartile	1.2 %	0.9 %
Bolsover District Council	7.1 %	4.1 %

The Council's Capital Financing Requirement (CFR) has shown a gradual decrease over the past couple of years with an increase of £6.7m in the current year. The Council MRP including Voluntary Revenue Provision (VRP) has been consistent at approximately £0.700m in the past. In 2022/23 there was a reduction where the MRP was £0.400m with a further reduction to £0.364m in 2023/24. Despite the reduction, the Council's MRP charge is above the average charge amongst other district Councils.

It is important the Council consider the impact of it's arrangement with Dragonfly Development Limited on future CFR and in particular the capitalisation regulations. We will consider this as part of our work in future years. We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements for the year ended 31 March 2024.

Overall, we have not identified any evidence to indicate a significant weakness in the Council's arrangements relating to financial sustainability criteria for the year ended 31 March 2024

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VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

	Risk of significant weakness in arrangements	Work undertaken and the results of our work
1	**Group accounting** In 2023/24 the Council produced group accounts for the first time. During our audit of the group we identified errors and uncertainties in the draft group accounts. There were also delays in the Council obtaining required information necessary for the production of group accounts.	**Work undertaken** We have considered the findings of our audit procedures and determine if the matters identified are indicative of a significant weakness in arrangements. **Results of our work** See page 21

Overall commentary on Governance

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council’s arrangements brought forward from the prior year and the Council’s arrangements are not significantly changed since the prior year other than the need to produce group accounts in 2023/24 for the first time.

The Authority’s governance structure

We confirmed the Council has approved and adopted a code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the ‘Delivering Good Governance in Local Government Framework’ 2016 edition. The Council is responsible for putting in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its function. This governance arrangement is detailed in the Councils Constitution and the summary is included in the Annual Governance Statement. The Council’s governance prioritises, as identified in the Framework and Constitution, are:

- Customers,
- Economy,
- Environment; and
- Housing

We have attended the Council’s Audit Committee meetings; we have reviewed minutes from the different committees and considered against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made. Based on our work, we are satisfied there is no evidence of a weakness in the Council’s governance arrangements

Risk management and internal control

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Council has embedded risk management by the establishment of a Risk Management Group which is led by Members and attended by senior officers, Internal Audit and health and safety officers. The Group regularly reviews all risk registers, offering challenge to the assessment process. The Group leads on the development and review of all risk related policies, plans and strategies across the Council. These are supported by a Risk Management Strategy which identifies and mitigates the Strategic and Operational risks. We confirmed the Risk Management framework includes a quarterly reporting process to Audit Committee.

The Risk Management approach, both in the identification of risks and the action taken to address the risks, is flexible and has the ability to respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities have, and will continue, to change and evolve over time. The Council’s Risk Management focus and arrangements are designed to adjust to ensure that current threats and opportunities are effectively addressed and not stifled by inappropriate risk management arrangements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

We have reviewed the risk registers and noted that these are reviewed regularly, with each strategic risk identified being assigned a ‘risk owner’ supplemented, there to be ownership and accountability. The ‘risk owners’ would then review their allocated strategic risks at quarterly intervals. Additionally, the strategic risks are also communicated to the Audit for additional scrutiny.

The Council has an annual Internal Audit plan which is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The planned work can be supplemented, if necessary, by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2023/24 and confirmed they are consistent with the risk-based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit Consortium provides an opinion based on the work completed during the year. For 2023/24 the Head of Internal Audit report concluded that a reasonable level of assurance could be provided on the overall adequacy and effectiveness of the Council’s framework for governance, risk management and control.

Throughout the year we have attended Audit Committee meetings. Through attendance at these meetings we have confirmed that the Committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

The Council published unaudited 2023/24 financial statements in July 2024, including the group financial statements. This is the first year of preparing consolidated group accounts, incorporating the financial results of both the Council and its wholly-owned subsidiary companies (collectively referred to as "Dragonfly companies"). However, the draft group accounts contained material errors due to inconsistencies in the reporting periods for the year ended 31 March 2024 year and prior year balances (year ended 31 March 2023). Further, there were delays in obtaining the draft financial statements of Dragonfly Companies (Dragonfly Development Ltd and Dragonfly Management (Bolsover) Ltd) from their consultants and external auditors to enable the production of final group financial statements. These delays meant the Council was not able to finalise the production of updated group financial statements for 2023/24 financial year until January 2025, a delay of 6 months over the expected timetable. As a result of the delay, we were unable to complete all of our audit procedures before the backstop date of 28th February 2025.

Governance structure for Dragonfly Development Limited

Dragonfly companies Governance arrangements are set up under the Shareholder Agreement. This included the Shareholder Board. In 2023-24 this Board included the Deputy Leader and two other Councillors. Also, the Council had members on the Dragonfly Boards. These Councillors were the Leader of the Council and other members of the Executive. We understand this changed in 2024-25 and now include 2 executive members and 2 scrutiny members. Shareholder Agreement sets out the Governance arrangements of the company.

The Shareholder Board reports to the Growth and Scrutiny Committee. A resolution was passed confirming that any decision taken by the company, including but not limited to strategic decisions, management of the business future direction and development of the company, officers, shareholders of the company, major capital investments, and significant changes to service delivery, requires prior approval from the Council. This decision-making process ensures alignment with the Council's overall strategic objectives, financial plans, and public service priorities.

Both, Dragonfly Development Ltd & Dragonfly Management (Bolsover) Ltd, have their own risk registers and risk assessments which have been to their Boards, the Shareholder Board and the Council’s Corporate Risk Management Group. Governance arrangements are in place to ensure oversight of the component.

Where there are tensions between the Council and component management objectives, the governance arrangements have ensured the Council have decision making power to prevent any decisions the Council did not approve of.

We have identified and reported a significant weakness in arrangements on page21 of this report. No other matters have been identified to indicate a further significant weakness in the Council’s arrangements relating to governance criteria for the year ended 31 March 2024

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

Overall commentary on Improving Economy, Efficiency and Effectiveness

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Council Plan and Performance Monitoring

The Council has in place 2024-2028 Ambition which encompasses its vision to maximise influence and opportunities within the East Midlands combined County Authority to drive the continued delivery of excellence services, maximise local aspirations and drive economic prosperity for Bolsover District. To achieve this, the Council has four aims designed to deliver this vision through priorities that cover the Council Ambition 2020-2024 and these related to Customers, Economy, Environment and Housing.

The Council has identified the key performance indicators, and target levels of performance, in relation to these priorities. The performance targets are informed by national standards, local benchmarking and experience and subject to initial challenge and confirmation. The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required. Portfolio holders meet regularly with Assistant Directors and Directors to discuss, amongst other things, the performance of services against targets. Our review of minutes confirmed there was quarterly reporting to the Audit and Corporate Overview Scrutiny Committee and the Executive. These quarterly reports take the form of a dashboard and identify whether the performance is achieved or on/off track. The quarterly reports include an appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance. Based on review of minutes there is evidence of appropriate scrutiny of these reports. We also note that there are no issues noted by the Head of internal Audit that would suggest performance issues.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. The Narrative Report also includes an agreed plan for subsequent years, including any areas for improvement. This provides the public with an overall assessment of the Council activities for the financial year.

A sample of targets as reported in the Q4 report for 2023/24 have been reviewed and confirmed that this was in line with what has been reported in the narrative report which forms part of the annual financial statements. The quarterly reports demonstrate that performance has been managed throughout the 2023/24 year and any significant variances have been justified. Based on our work we are satisfied there is evidence to demonstrate arrangements are in place for performance monitoring and management at the Council.

Based on review we are satisfied the Council continues to have arrangements for standing financial instructions, purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies regarding purchasing controls.

As noted in the previous section the Council use Dragonfly Development Ltd & Dragonfly Management (Bolsover) Ltd to provide some services to the Council. We confirmed a Dragonfly monthly scrutiny report is presented to Local Growth Scrutiny committee on a monthly basis. This is intended to allow for scrutiny of Dragonfly performance. We are not aware of any significant matters in the performance outcome of Dragonfly in 2023/24 which are indicative of a significant weakness in arrangements. Following a full year of operation we understand from discussions with management they intend to complete a review of the Dragonfly arrangements to ensure governance is operating as intended, related party and conflicts of interests are properly managed and understand if further improvement are required.

Overall, we have not identified a significant weakness in the Council's arrangements relating to Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2024

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
1	**Accounting and Governance Arrangements of Dragonfly companies** The Council published its draft statement of accounts for the 2023/24 financial year in July 2024, including group accounts. This is the first year that the Council has been required to prepare group accounts, incorporating the financial results of both the Council and its wholly-owned subsidiary companies (collectively referred to as "Dragonfly companies"). However, the draft group accounts contained material errors due to inconsistencies in the reporting periods for the year ended 31 March 2024 year and prior year balances (year ended 31 March 2023). Further, there were delays in obtaining the financial statements of Dragonfly Companies (Dragonfly Development Ltd and Dragonfly Management (Bolsover) Ltd) from their consultants and external auditors to enable the production of final group accounts. These delays meant the Council was not able to finalise the production of updated group accounts for the 2023/24 financial year until January 2025, a delay of 6 months over the expected timetable. As a result of the delay we were unable to complete our audit procedures before the backstop date of 28th February 2025, leading to the Council's statement of accounts being disclaimed. Without proper arrangements to support the production of its draft statement of accounts (which incorporate full range of activities of the Council's group) and the audit of those accounts, the Council risks a continuation of failure to meet the requirement to publish an audited statement of accounts. These matters, in our view, are evidence of a significant weakness in the Council's governance arrangements, in particular how the body ensures its statutory financial reporting requirements for the financial year ended 31 March 2024.		●		The Council should ensure that proper arrangements are established to ensure the timely production of the group statement of accounts, aligning with statutory reporting deadlines. This timetable should be clearly articulated to all stakeholders within the Group.	The officers within Dragonfly were informed of timetable deadline in advance and met them. Dragonfly auditors also agreed in advance the deadlines, but did not adhere to them and caused the delays. For 2024/25, Dragonfly have appointed a new auditor.

04

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

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 did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not been able to complete this work yet, as we are waiting to receive final group instructions from the NAO.

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit , we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks. Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we did not complete our audit prior to the backstop date. Consequently, we are unable to provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit.

Risk	How we addressed the risk	Audit Conclusion
Management override of controls In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We planned to address this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements	As a result of the backstop arrangements, we have not completed our work with respect of journals.

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Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Risk	How we addressed the risk	Audit Conclusion
Valuation of the LGPS defined benefit pension The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Derbyshire Pension Fund. The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area. As part of our testing, procedures will be performed on the net defined liability held by Dragonfly Development Limited	We planned to address this risk through performing audit work over: • Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary; • Liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • 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 will include comparing them to expected ranges, utilising information by PwC and 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 disclosures in the Council's financial statements. In the event of a pension surplus arising in 23/24, its accounting treatment will require specific consideration under IFRIC 14.	As a result of the backstop arrangements we have not fully concluded our work.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Risk	How we addressed the risk	Audit Conclusion
Valuation of land, buildings, and investment properties The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of land, buildings and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of land, buildings and investment properties to be an area of significant risk.	We planned to address this risk through performing audit work over: • Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund’s Actuary; • Critically assessing the Council's valuer’s scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies; • Assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; • Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuers	Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues.

Appendix A: Further information on our audit of the financial statements

Enhanced risks and audit findings

Risk	How we addressed the risk	Audit Conclusion
Group Consolidation The Council is consolidating Dragonfly Group (Dragonfly Development Limited and Dragonfly Management) and producing group accounts for the first time in the 2023/24 financial statements. The Council will be required to consolidate their subsidiaries balances on a line-by-line basis and remove intra-group transactions. Being the first year, there is a risk the Council will not identify all consolidation adjustments or the adjustments may be incorrect. We also understand that employees transferred to the Group and consequently there is a risk that costs, assets and liabilities associated with the Dragonfly Group have not been correctly removed from the Council accounts.	We addressed this risk through performing audit work over: • Review and assess the controls and processes that the Council has in place to prepare group accounts; • Perform substantive procedures on the consolidation adjustments; and • Perform recalculations on the consolidation schedules to ensure mathematical accuracy We also planned to test any assets, liabilities and costs transferred to the subsidiaries on the 1 April 2023 to ensure they had been correctly accounted and removed from the Council's financial statements.	The Group financial statements included material errors and the Council was unable to provide sufficient appropriate evidence to support the figures in the Group financial statements were free from material misstatement. As a result of the backstop arrangements, we have not completed our work in this area.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Revaluation Reserve			52	
Cr: Property, Plant and Equipment				52
Adjustments due to overstatement in revaluation of property.				
DR: Income	73			
CR: Accrued Income				73
Income recognised in 2023/24 relating to 2024/25 [Extrapolated error]				
Aggregate effect of unadjusted misstatements	**73**	**0**	**52**	**125**

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Our observations on internal control

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

During our testing of Journals, we identified 55 journals posted by the Section 151 Officer. The Council confirmed this was due to Dragonfly incorporation and lack of capacity in the finance team.

Potential effects

If the Section 151 Officer is involved in the accounts preparation there is a risk the internal control checks are not effective as the S151 Officer could be reviewing their own work. This increases the risk material errors are missed in the accounts process.

Recommendation

The Council should ensure the finance team has the necessary capacity to meet its responsibilities

Management response

A new principal accountant post has recently been established and appointed to. We expect the officer to be in post by mid-May. In the meantime, a temporary interim accountant has been with the Council since November to increase capacity. This post will be extended through April and May to ensure there is extra capacity in the finance team throughout the 2024/25 final accounts preparation process. Finally, the Section 151 officer will no longer post any journals.

Our observations on internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

PPE revaluations
In our testing of the underlying data used to calculate the value of assets, there was a delay in the Council being able to find and provide data to validate the floor areas used to support the valuations.

Potential effects

Without this information being saved in the Council working papers there is a risk that internal review of the valuations is not effective and may miss material errors.

Recommendation

The Council should maintain in its working papers, underlying data. This will ensure the review process is effective.

Management response

The Council's valuer has now obtained plans and measurements for the properties identified where this was missing. As part of the 2024/25 year end work, working papers for all assets will be reviewed.

Our observations on internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

The Council did not prepare a reconciliation between the payroll system and the employee expenses in the general ledger and financial statements.

Potential effects

There is a risk that payroll expenditure could be incomplete, or that items could be misclassified in the financial statements between employee expenses and other expenditure

Recommendation

The Council should prepare a year-end reconciliation between the employee expenses value in the financial statements, and the payroll system.

Management response

This reconciliation was omitted in error for 2023/24 following the retirement of a long-standing member of the finance team. This reconciliation will be performed throughout the year for 2024/25, and a year end reconciliation will be provided at audit.

Follow up on previous year recommendations

Description of deficiency

The Council holds its investment in subsidiary at fair value through profit and loss in its single entity accounts. Through review of this area during the audit we noted that despite the Council's accounting policy the Council has not performed fair valuation of its investment in Dragonfly Development Ltd as at 31 March 2023. The investment has been disclosed at cost (£364k). Based on our review and nature of the investment, we note that the value disclosed is not materially different to what would be considered the fair value of the subsidiary.

Potential effects

Non-compliance with the Council's accounting policy could lead to a material misstatement in the accounts.

Recommendation

The Council should ensure that the subsidiary is fairly valued at each reporting date. This assessment should be clearly documented, and the assumptions used should be readily available for audit.

2023/24 update

Our work in 2023/24 has not identified any matters to report

Contact

Forvis Mazars

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Bolsover District Council

Meeting of the Audit Committee

20th February 2025

ACCOUNTING POLICIES 2024/25

Report of the Director of Finance & Section 151 Officer

Classification	This report is public.
Contact Officer	Director of Finance & Section 151 Officer Theresa Fletcher

PURPOSE / SUMMARY

The Committee is asked to approve the accounting policies at **Appendix 1**. These are for the current financial year and relate to the preparation of the Statement of Accounts for 2024/25.

REPORT DETAILS

1 Background

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

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

1.3 This report therefore presents the accounting policies that the Council will apply in the preparation of the Statement of Accounts for 2024/25.

2. Accounting Policies

2.1 Officers have reviewed and updated where necessary, the existing accounting policies that were agreed for 2023/24. They have been checked for their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements.

2.2 The accounting policies for 2023/24 were changed to reflect the preparation of group accounts for the first time by the Council. However, as the Statement of Accounts for 2023/24 are still being audited, it may be necessary to make an amendment to a 2024/25 policy, to adopt a more appropriate accounting policy. Full details of the proposed accounting policies for the current financial year are provided at **Appendix 1**.

3 Reasons for Recommendation

3.1 This report sets out the accounting policies which are to be applied for the 2024/25 Statement of Accounts for consideration by the Audit Committee. Given that the policies adopted have significant influence upon the accounting statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the accounts. The policies which are recommended are in line with those that were used in the previous financial year (2023/24).

4 Alternative Options and Reasons for Rejection

4.1 The Council is required to have appropriate accounting policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those adopted in previous financial years after taking account of changes as required by current legislation. The preparation and consideration of this report is part of a process intended to ensure that alternative options are given appropriate consideration.

RECOMMENDATIONS

That the Audit Committee approve the accounting policies detailed at **Appendix 1** to this report.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

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IMPLICATIONS.

Finance and Risk: **Yes☐** **No ☒**

Details:

There are no direct financial implications arising from this report. The accounting policies will, however, be used to determine the accounting treatment of the financial transactions of the Council for 2024/25 and will therefore influence the presentation and understanding of the financial position of the Council as at the 31st of March 2025.

None of the policies outlined in **Appendix 1** conflict with legislative or IFRS requirements therefore the risk of adopting a policy that contravenes good practice is considered minimal. The greater risk is the failure to ensure that the policy and the actual accounting treatment are consistent. To minimise this risk the final accounts timetable for 2024/25 has officer review time built in, to cross check the policies to the actual treatment of items within the accounts.

On behalf of the Section 151 Officer

Legal (including Data Protection): **Yes☐** **No ☒**

Details:

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

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

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report

Staffing: **Yes☐** **No ☒**

Details:

There are no human resource implications arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? 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: **Revenue - £75,000** ☐ **Capital - £150,000** ☐ ☒ *Please indicate which threshold applies.*	No
Is the decision subject to Call-In? (*Only Key Decisions are subject to Call-In*)	No

District Wards Significantly Affected	None directly
Consultation: **Leader / Deputy Leader** ☐ **Executive** ☐ **SLT** ☐ **Relevant Service Manager** ☐ **Members** ☐ **Public** ☐ **Other** ☒	Details: Portfolio Holder for Resources

Links to Council Ambition: Customers, Economy, and Environment.

DOCUMENT INFORMATION	
Appendix No	**Title**
1	Accounting Policies

Background Papers
(*These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).*
None

Appendix 1

1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31st March 2025. The Council is required by the Accounts and Audit (England) Regulations 2015 to prepare an annual Statement of Accounts, and those regulations require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost and fair value, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis.

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.

Exceptions to this principle include 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 are due in full on the date the weekly debit is raised. No receipt in advance is recorded for any part of the debit raised in the last week of March that relates to a period after 31st of March. Payroll expenses earned in March but not paid until April or later are not accrued for and are recognised in the new financial year's accounts. 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

Service Income and Expenditure Accounts, support services and trading accounts are debited with the following amounts to record the real 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 2024/25 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) Council Tax and non-domestic rates - 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 Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Non-Domestic Rates Appeals

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.

The rateable value and the period covered by the appeal have been used to establish a prudent provision to meet the estimated costs of successful appeals.

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 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 by the employee 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 assets and 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.

- Assets and labilities 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.

When the calculation results in an asset for the Council, the asset must be recognised at the lower of that asset and the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is the lower, an adjustment will be required which is included as a remeasurement.

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.

Employees of the Council's wholly owned group of companies Dragonfly Development Limited, participate in the LGPS. The company's obligation to the Derbyshire Pension Fund is limited only to paying fixed employer contributions as they fall due - they have no legal or constructive obligation to pay further contributions to the Fund over and above a fixed contribution.

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 and measured according to the reason the Council has 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. Most of the Council's financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

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. Any profit or loss on sale of the financial asset is debited/credited to the Financial and Investment Income and Expenditure line in the CIES in the year of sale.

Expected Credit Loss Model

The Council recognises expected credit losses (i.e. non -payment of principal and/or interest) on all of its financial assets held at amortised cost (or where relevant FVOCI). Usually only credit losses arising in the next 12 months are calculated. Lifetime losses are only recognised when the risk of the amount lent out not being made in full, increases significantly over the year. Trade receivables (debtors) and HRA tenant debtors are permitted to use the simplified approach to expected credit losses. 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.

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

These assets are initially measured at fair value (market price). At each balance sheet date the asset's fair value is re-measured to the current fair value (market price). Changes in fair value between balance sheet dates are charged or credited to the Surplus/Deficit on the Provision of Services (SDPS).

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 accounting policy set out in ac) Fair Value Measurement of non-financial assets.

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.

IFRS9 Financial Instruments sets out that equity type investments should be classified at fair value through profit and loss unless there is an irrevocable election to recognise changes in Fair Value Though other Comprehensive Income. The Council will assess each equity type investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

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 a material interest in the group of companies, Dragonfly Developments Limited, which is 100% owned by the Council.

These companies are wholly owned by the Council and as a result, group accounts will be prepared. In the Council's own single-entity accounts, the interests in the company will be recorded as financial assets at cost, less any provision for losses.

Consolidation of entities in the group accounts is dependent on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency to allow the reader of the accounts to understand the boundary of the accounts; where these factors are not considered material those members of the Group have not been consolidated.

Dragonfly Management (Bolsover) Limited, began providing services for the Council on 1 April 2023. Services provided include Property Services, Repair and Maintenance Services and Business Growth Services. This company has been fully included within the consolidated group accounts.

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

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 2024/25 is 15%, (2022/23 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 is 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 asset's 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

The Council currently has no finance leases for property.

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.

Revaluations

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:

- 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;

No depreciation charges are made for land, assets under construction, investment properties and community assets.

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.

Componentisation

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 (except in 2022/23 + 2023/24 for a temporary period only). 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.

Capital Receipts

Capital receipts are the amounts derived from the sale of capital assets. The capital receipts policy of the Council is to ensure that capital receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. This will mean that all receipts will be pooled centrally. The policy is intended to separate the use of resources from the means of acquiring resources, therefore supporting the strategic approach to capital investment.

x) Provisions

Provisions are made when the Council recognises that it has an obligation as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, 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 and these are split between usable and non-usable. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use. Unusable reserves cannot be used to provide services; this category includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve).

Resources set aside for specific purposes or to meet predicted liabilities are held as 'earmarked reserves'. The Council also sets aside sums as a more general reserve, called the General Fund, to cover the impact of unexpected events or emergencies or provide a working balance to help manage the effect of uneven cash flows. The Housing Revenue Account also has separate reserves for similar purposes.

z) Revenue Expenditure Funded by Capital under Statute

Revenue expenditure funded by capital under statute represents expenditure incurred by the Council in the year, that may be capitalised under statutory provisions but does not result in a Council asset being created. The expenditure may support a third party's asset (e.g. disabled facility grant) or may be being capitalised based on a capitalisation order from Government.

This expenditure is initially charged 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)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them. At the year end, any amounts outstanding are represented by a debtor or creditor on the balance sheet. 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 of non-financial assets

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 reports on the operation of it's services with two directorates. All services provided by the Council fall into one of these directorates. The main service areas within each directorate are as follows:

Corporate Resources - Finance; Revenues and Benefits; Payroll; Audit (client); ICT (client); Customer Services; Partnership team; Legal; Governance, Elections and Scrutiny; Procurement; Improvement team and Human Resources.

Community Services - Leisure, Health and Wellbeing; Planning; Housing Strategy; Environmental Health; Community Safety; Health and Safety; Emergency Planning; Streetscene and Housing Revenue Account - Management.

The services provided for the Council by Dragonfly Management (Bolsover) Limited are reported together as Dragonfly Services. The services this relates to are Property Services and Estates, Housing Revenue Account - Repair and Maintenance Services and Economic Growth.