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Date: Wednesday, 17 July 2019

To: **All Members of the Audit & Corporate Governance Scrutiny Committee**

You are summoned to attend a meeting of the Audit & Corporate Governance Scrutiny Committee to be held on **Thursday, 25 July 2019 at 10.00 am in the Chamber 1**. District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield, S42 6NG.

Yours sincerely

Sarah Sternberg

Joint Head of Corporate Governance and Monitoring Officer

A G E N D A

1 Draft Council Plan Consultation

Presentation by the Strategic Director – Place

2 Role of the Audit Committee and Committee Work Programme (Pages 3 - 90)

Presentation by the Internal Audit Consortium Manager

3 Apologies for Absence

4 Declarations of Interest

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

5 Minutes of Last Meeting (Pages 91 - 97)

To approve as a correct record and the Chair to sign the Minutes of the Audit and Corporate Governance Scrutiny Committee held on 18 April 2019.

6 **Audit Completion Report** (Pages 98 - 124)

Report of the Council's External Auditor (Mazars)

7 **Implementation of Internal Audit Recommendations** (Pages 125 - 136)

Report of the Internal Audit Consortium Manager

8 **Summary of Progress on the Annual Internal Audit Plan 2018/19 and 2019/20** (Pages 137 - 142)

Report of the Internal Audit Consortium Manager

9 **Internal Audit Consortium 2018/19 Annual Report to North East Derbyshire District Council** (Pages 143 - 151)

Report of the Internal Audit Consortium Manager

10 **North East Derbyshire District Council Statement of Accounts 2018/19** (Pages 152 - 304)

Report of the Chief Accountant

11 **Medium Term Financial Plan - Financial Outturn 2018/19** (Pages 305 - 328)

Report of the Chief Accountant

12 **Corporate Debt - Quarter 1** (Pages 329 - 334)

Report of the Chief Accountant

13 **To consider any other items which the Chair is of the opinion should be considered as a matter of urgency.**

North East Derbyshire District Council

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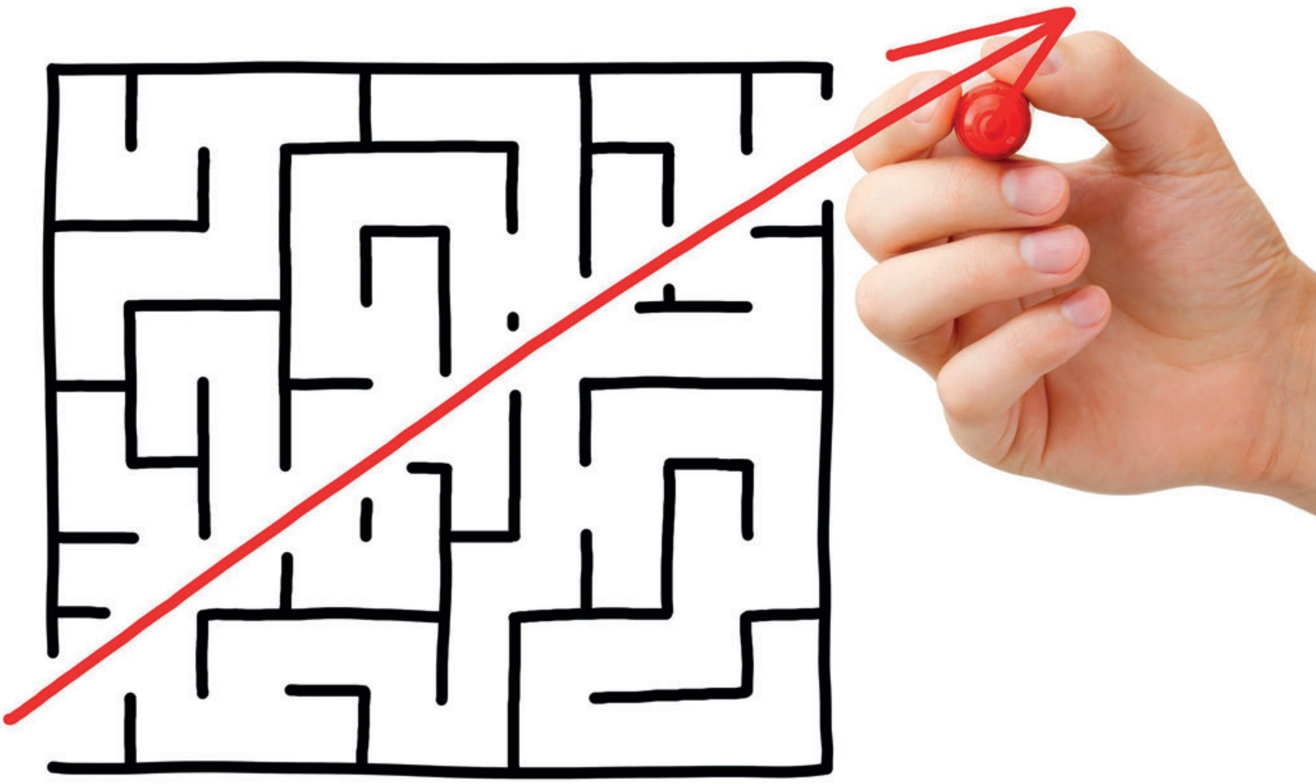
The Chartered Institute of Public Finance & Accountancy

audit committees

Practical Guidance for Local Authorities and Police

2018 Edition



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audit committees

Practical Guidance for Local Authorities and Police

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Thanks also to the audit committee members who have attended our training courses for providing their insight into the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

Diana Melville
Governance Advisor, CIPFA

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CHAPTER 1

Introduction

This publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and police bodies, and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.

This publication incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police* (2018) ('the Position Statement'), which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement. Throughout the Position Statement the terms 'authority' and 'authorities' are used to include police and crime commissioners (PCCs) and chief constables as well as local authorities and fire and rescue authorities.

The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It also recognises that audit committees are a key component of governance.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. In police bodies 'those charged with governance' are the PCC and the chief constable.

Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation. This guidance therefore explores how audit committees relate to organisations' different arrangements for managing and governing themselves.

Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. For example in England, the Accounts and Audit (England) Regulations 2015 state that a local authority is responsible "for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". In addition, in England, Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs".

Regardless of the specific legislative or regulatory framework, the chief financial officer (CFO) has overarching responsibility for discharging the requirement for sound financial management. To be truly effective, the CFO requires an effective audit committee to provide support and challenge. An essential role for the audit committee is to oversee internal audit, helping to ensure that it is adequate and effective. Both these elements are now enshrined in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN).

There have been a number of significant developments in governance and audit practice since 2013 which have emphasised the importance of the audit committee. Key developments include:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- updates to the PSIAS in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Legislation has also had an impact, in particular the Local Audit and Accountability Act 2014, which introduced changes to the appointment of external auditors. The new combined authorities must also establish an audit committee in accordance with statutory regulations. For police bodies, the operation of joint audit committees supporting both the PCC and the chief constable have now completed a full term and further changes are on the horizon.

The Policing and Crime Act 2017 enables a PCC (following local consultation and approval from the secretary of state) to take on the governance of its local fire and rescue service(s) to become the fire and rescue authority, known as a police and crime commissioner fire and rescue authority (PCC FRA). This would be a separate legal entity from the PCC.

The PCC FRA would be a corporation sole and a fire and rescue authority. There would therefore be the need for appropriate audit committee arrangements. Guidance on this is expected to be included in the Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018). The aim of this publication is to support fire and rescue authority and police audit committees in performing effectively.

Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of an organisation. The existence of an audit committee does not remove responsibility from senior managers, members and leaders, but provides an opportunity and resource to focus on these issues. For police audit committees, there is a requirement to have independent members on the audit committee and Welsh authorities and English combined authorities must also include at least one independent member. CIPFA considers that this is in line with good practice. In establishing their audit committees, other authorities should recognise the need to demonstrate good governance principles and independence from the executive and other political allegiances.

This guidance is applicable to all principal local authorities and fire and rescue authorities in the UK, and to the independent audit committees established to support PCCs and chief constables. Where there is specific legislation or guidance relevant for one sector or devolved government, this has been highlighted in the publication.

CHAPTER 2

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:

- act as the principal non-executive, advisory function supporting those charged with governance
- in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
- be directly accountable to the authority's governing body or the PCC and chief constable.

4 The core functions of an audit committee are to:

- be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
- in relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and professionalism
  - support the effectiveness of the internal audit process

    – promote the effective use of internal audit within the assurance framework

- consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

5 An audit committee can also support its authority by undertaking a wider role in other areas including:

- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

6 Good audit committees are characterised by:

- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
- a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- unbiased attitudes – treating auditors, the executive and management fairly
- the ability to challenge the executive and senior managers when required.

7 To discharge its responsibilities effectively the committee should:

- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

CHAPTER 3

The purpose of audit committees

Extract from the Position Statement

1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.

2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The overall aim of good governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Governance is defined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) as follows:

- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
- *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

Good governance is ultimately the responsibility of the governing body, as well as those with leadership roles and statutory responsibilities in the organisation, including the chief executive, the CFO and the monitoring officer. In local government, the governing body is the full council or authority and both the PCC and chief constable are responsible as a corporation sole.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, this committee may be delegated some governance responsibilities by the council; the police audit committee must remain an advisory body to the PCC and the chief constable. New policing arrangements were established by the Police Reform and Social Responsibility Act 2011. Guidance for police audit committees is contained in the Financial

Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018).

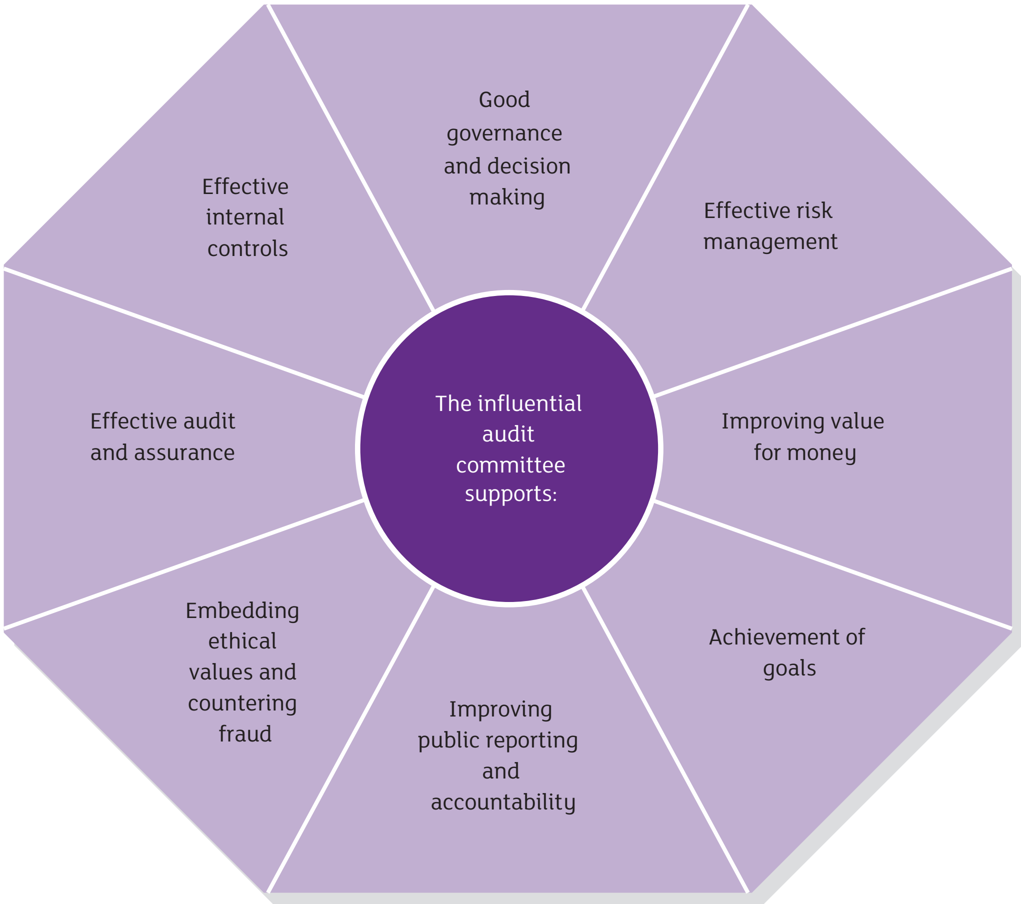
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership together with support and openess from the authority.

The principal areas where the committee can influence and add value are:

- promoting the principles of good governance and their application to decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements for the governance of risk and for effective arrangements to manage risks
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions
- aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption
- promoting measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee is able to have in these areas is set out in Figure 3.1 below.

Figure 3.1: The influential audit committee



Source: Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

CIPFA's view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other bodies, but a dedicated resource is likely to be more knowledgeable and effective, having more time to focus on these important issues.

CHAPTER 4

The core functions of an audit committee

Extract from the Position Statement

4 The core functions of an audit committee are to:

- be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
- in relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and professionalism
  - support the effectiveness of the internal audit process
  - promote the effective use of internal audit within the assurance framework
- consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

INTRODUCTION

The core functions that audit committees should undertake reflect both standard practice for audit committees across all sectors and specific legislative and professional standards requirements for the local authority and the police sectors. Reconciling these sometimes different requirements leads to audit committees in local authorities and police bodies having the distinctive features outlined in this guidance.

Principal regulations affecting the functions of the audit committee are outlined in Appendix A, and a suggested terms of reference for the committee is included in Appendix B. The remainder of this chapter provides further background and explanation for the audit committee's core functions.

GOOD GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

Audit committees provide essential support for the approval of the annual governance statement (AGS) and for ensuring that good governance is embedded throughout the authority's day-to-day activities rather than being limited to a once-a-year reporting process. The audit committee is able to support this approach by addressing governance principles in the course of its regular business.

Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector as follows:

- Delivering Good Governance in Local Government: Guidance Notes for English Authorities (CIPFA/Solace, 2016)
- Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities (CIPFA/Solace, 2016)
- Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities (CIPFA/Solace, 2016).
- Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales (CIPFA, 2016).

The Framework is principles based and informs the approach to good governance adopted by PCCs and chief constables as well as local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles.

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by a body of the authority prior to being signed by the leading member and the chief executive of an authority and by the PCC and chief constable. Typically, audit committees undertake the role of reviewing the AGS prior to approval. Police audit committees should review the AGS of both the PCC and the chief constable.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. For example, English local authorities under the Accounts and Audit Regulations 2015 must approve and publish the AGS by 31 July at the latest for the financial year starting 2017 and thereafter. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

To provide a meaningful review of the AGS, the audit committee should be in a position to draw on knowledge of the governance arrangements as they are established and on assurances of how they have operated in practice during the course of the year. The audit committee should undertake the following activities to discharge their responsibilities:

- review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted)
- ensure that the AGS is underpinned by a framework of assurance (see later section for more details on assurance planning)
- over the course of the year, receive reports and assurances over the application of the governance arrangements in practice
- monitor implementation of action plans or recommendations to improve governance arrangements
- consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee has an opportunity to promote the implementation of the principles of good governance across the authority: to make things better in the future, not just reviewing what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in Chapter 6.

INTERNAL AUDIT

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS and the LGAN. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the Mission of Internal Audit, Code of Ethics, Definition of Internal Auditing and the Core Principles for the Professional Practice of Internal Auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority or police body should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board in the majority of instances. Since police audit committees must remain advisory bodies, their role will be to support and review the functional reporting arrangements.

It is a requirement of the PSIAS that the terms of reference of the audit committee should reflect the functional reporting arrangements of internal audit to the audit committee as set out in the internal audit charter, which is the formal document that defines internal audit's purpose, authority and responsibility.

The role of the audit committee in relation to internal audit is to:

1. oversee its independence, objectivity, performance and professionalism
2. support the effectiveness of the internal audit process
3. promote the effective use of internal audit within the assurance framework.

Within police bodies this is an advisory role for the audit committee.

The specific activities that these three objectives lead to are considered below.

Oversee independence, objectivity, performance and professionalism

The following activities are the functional reporting arrangements set out in the PSIAS to ensure the organisational independence of internal audit. According to the specific internal audit charter of the authority, the audit committee could have a role to:

- review or approve the following:
  - the internal audit charter
  - the risk-based internal audit plan
  - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit or the award of a contract for internal audit services
- make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the annual report, which includes:
  - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
  - a summary of the work on which internal audit has based the opinion
  - a statement on conformance with the PSIAS and the LGAN
  - the results of the quality assurance and improvement programme, including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor.

The head of internal audit or chief internal auditor (referred to in the PSIAS and the LGAN as 'chief audit executive') must have free and unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the quality assurance and improvement programme (QAIP) at least once every five years.

Support the effectiveness of the internal audit process

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. The following activities form a core part of this:

- receiving updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
- receiving communications from the head of internal audit on the internal audit activity's performance relative to its plan and other matters
- giving approval to internal audit for any significant additional consulting services not already included in the audit plan, prior to internal audit accepting an engagement
- receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS
- overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates
- receiving regular reports on the results of the QAIP, including the external assessment.

Promote the effective use of internal audit within the assurance framework

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to produce an annual internal audit opinion that can be used to inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- when considering the AGS, taking into account internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should take into account internal audit's QAIP when conducting such a review.

The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (CIPFA, 2010 – due to be updated in 2018) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service.

Audit committee members should keep up to date with changes affecting the professional practices and expectations of internal auditors so that they can provide the necessary support.

RISK MANAGEMENT

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be taken into account in determining the role of the audit committee. Police audit committees are directed in the Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements. Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance risk management provides when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas:

- First, assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks. The specific actions this requires include:
  - overseeing the authority's risk management policy and strategy and their implementation in practice
  - overseeing the integration of risk management into the governance and decision-making processes of the organisation
  - ensuring that the AGS is an adequate reflection of the risk environment.
- Second, keeping up to date with the risk profile and the effectiveness of risk management actions by:
  - reviewing arrangements to co-ordinate and lead risk management. An example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency
  - reviewing the risk profile and keeping up to date with significant areas of strategic risks and major operational or major project risks and seeking assurance that these risks are managed effectively and owned appropriately
  - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
  - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Third, monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
  - overseeing any evaluation or assessment such as a risk maturity assessment or risk benchmarking
  - reviewing evaluation or assurance reports on risk management and monitoring progress on improvement plans

  – monitoring action plans and development work in the field of risk management practice.

Flexibility in the audit committee agenda to adapt to new or heightened risks will ensure that the committee is responsive and focused on priority issues.

ASSURANCE FRAMEWORKS AND ASSURANCE PLANNING

Authorities may have developed a description or diagram explaining what assurances exist and who is responsible for them. Such descriptions may be described as an assurance framework or assurance map. Typically, they outline key areas of the assurances required by the audit committee, such as on governance, risks and controls, and they identify the assurance providers. These may include internal audit, risk management advisors and management. The audit committee should support initiatives to identify and evaluate assurance in this way.

Whether or not there is a formally set-down assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should be seeking to ensure that assurance is planned and delivered with the following objectives in mind:

- clarity of what assurance is required
- clear allocation of responsibility for providing assurance
- avoiding duplication, bearing in mind the differing objectives of assurance activities
- improving the efficiency and cost effectiveness of assurance
- obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Having a clear assurance framework in place will assist the committee in a number of areas. It supports the annual review of effectiveness for the AGS. It also supports the approval of the internal audit risk-based plan as it enables the committee to identify the extent to which it will rely on internal audit for its assurance requirements. In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk.

VALUE FOR MONEY AND BEST VALUE

Making best use of resources is a key objective for all local authorities and it is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is “delivering defined outcomes on a sustainable basis within the resources that will be available”.

Under Sections 2, 3 and 35 of the Police Reform and Social Responsibility Act 2011, the chief constable has statutory responsibility to secure value for money (VfM) and the PCC to hold the chief constable to account for this duty. The audit committee’s role is to support both the PCC and chief constable to fulfil their responsibilities through the assurance process.

Assurance should focus on both the arrangements to ensure and the progress in achieving VfM. An authority should have in place arrangements to obtain assurance over its performance against VfM objectives and strategies. The role of the audit committee will need to be determined in the context of what other committees may be doing. For example, a scrutiny committee may oversee service reviews that consider performance against VfM objectives.

The role of the audit committee is most likely to focus on whether the authority's overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS. The Framework emphasises that the AGS should be focused on outcomes and VfM.

One specific area of activity for the committee will be consideration of the external auditor's wider work as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows:

- **England** – statutory value for money conclusion as defined by the National Audit Office
- **Scotland** – periodic reviews of best value
- **Wales** – Wales Audit Office annual improvement reports
- **Northern Ireland** – review of arrangements for the use of resources.

Where the external auditor has issued a qualified conclusion on VfM, the audit committee should ensure there is a robust action plan to address the issues raised. In addition, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

COUNTERING FRAUD AND CORRUPTION

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

The Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ('the Code') sets out the counter fraud standards for public sector organisations; sector-specific strategies such as Fighting Fraud and Corruption Locally should also be considered, along with the CIPFA Fraud and Corruption Tracker (CFaCT) and Integrity Matters (HMIC, 2015). The committee should understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment.

Oversight of counter fraud plans, resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community

- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

The CIPFA guidance on the AGS included in the Framework recommends that the adequacy of counter fraud arrangements are evaluated and reported on in the AGS with reference to the Code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's guidance Internal Audit's Role in Counter Fraud (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

EXTERNAL AUDIT

Appointment of auditors

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the Local Audit and Accountability Act 2014.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see Guide to Auditor Panels (CIPFA, 2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee is able to operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

1. providing assurance that the external auditor team maintains independence following its appointment
2. receiving and considering the work of external audit
3. supporting the quality and effectiveness of the external audit process.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) to external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed but the audit committee's role will be to monitor on an annual basis or more often when required.

Each year the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact, on independence and objectivity, together with any safeguards put in place. Usually this disclosure is included in the audit plan. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards.

Understanding the potential threats to external independence

Self-interest threat

Where there are or perceived to be financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

Where the audit could include review of work performed, services or advice provided by the same firm or team.

Management threat

Where the auditor has become involved in or associated with decision making of the audited body.

Advocacy threat

Where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

Where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

When the conduct of the external auditor is influenced by fear or threats by individuals in the audited body.

Full details of the threats are set out in the Revised Ethical Standard 2016 (FRC, 2016).

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA or the auditor panel (in England) or from audit quality reviews by the FRC. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account the oversight of either PSAA or the auditor panel as appropriate.

Receiving and considering the work of external audit

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit make recommendations, the audit committee should discuss the action to be taken with the appropriate managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit letter.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process through:

- understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- considering the effectiveness of the external audit process, including:
  - whether the external auditor has a good understanding of the authority
  - how the external auditor has responded to areas of audit risk
  - actions taken to safeguard independence and objectivity
  - feedback from key people such as the responsible financial officer and the head of internal audit
- reporting to the full council, or the PCC, or the chief constable or other body as appropriate on the results of its considerations.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit, for example, the quality reports from PSAA and the FRC.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Inspection reports

Reports from inspection agencies can be a useful source of assurance about the authority's financial management and governance. The audit committee should have access to inspection reports as a source of assurance and compare the findings with any relevant internal audit and external audit reports. Inspection reports will need to be actioned by the corporate or appropriate departmental management team, but the audit committee has a role in monitoring such action to ensure that a consistent approach is adopted and that the various agencies have one recognisable point of entry into the authority.

FINANCIAL REPORTING

Local authority financial statements should follow the professional practices set down in the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC). The responsible financial officer must sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. For English authorities and policing bodies, the latest date by which the statements must be signed off is likely to be 31 May, as the 30 working day period for the exercise of public rights must include the first ten days in June.

Under the current regulations, Scottish, Welsh and Northern Irish authorities must all ensure that the financial statements are signed off by the CFO by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed to an earlier timetable with effect from years ending 31 March 2019 onwards. Authorities will formally approve the financial statements after the completion of the external audit.

The date by which the statements must be published is set down by government regulations. For 2017/18 onwards, the latest date for publication is 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September and Northern Irish authorities must publish by 31 October. CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit.

Audit committees may undertake a review of the statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Their work could include:

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions or reserves
- seeking assurances that preparations are in place to facilitate the external audit.

Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval.

Other committees in the governance structure might also scrutinise the authority's financial performance. Care should be taken to avoid duplication and maintain the focus of the audit committee on financial reporting and financial governance rather than on wider issues of performance and spending priorities.

PARTNERSHIP GOVERNANCE AND COLLABORATION AGREEMENTS

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises.

Authorities may also be the accountable body for local enterprise partnerships (LEPs). PCCs may be considering options for collaboration with other relevant emergency services under the Policing and Crime Act 2017. Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is very important as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider the assurance available on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and standards of probity are maintained.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage and seek clarity over its own responsibilities in relation to the governance arrangements of the new service delivery organisation.

The audit committee should consider the coverage of assurances that underpin the AGS to make sure that partnerships are adequately covered. Where an organisation of which the authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body in order to support the CFO.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas, or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee. Chapter 6 considers the implications of partnerships for audit committee independence and accountability.

GOVERNANCE AND ETHICAL VALUES

Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. This is at the heart of Principle A of the Framework:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, public sector organisations have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements to achieve this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles. To promote high standards of conduct, the Committee on Standards in Public Life has recommended that:

Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored.
Source: Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (Committee on Standards in Public Life, 2013)

As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.

Whistleblowing arrangements support the development of ethical conduct and greater transparency, and also help authorities ensure compliance with the Public Interest Disclosure Act 1998. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.

CHAPTER 5

Possible wider functions of an audit committee

Extract from the Position Statement

5 An audit committee can also support its authority by undertaking a wider role in other areas including:

- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

Occasionally the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee of the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role set out in the Position Statement – advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place. Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.

ETHICS COMMITTEE AND STANDARDS COMMITTEE ROLES

The audit committee's primary role in relation to standards and ethical conduct is to satisfy itself that there are appropriate arrangements in place, particularly in support of the AGS. Under the Localism Act 2011, English local authorities have a statutory duty to promote and maintain high standards of conduct and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. Occasionally the committee takes on a wider role, in the place of other committees. Specifically, there should be regard for the role and responsibilities of a standards committee, where there is one.

Where the local authority does have a standards committee, the lead on promoting high standards of conduct may be taken by that committee, and the most appropriate role for the audit committee would be to consider the effectiveness of the standards committee as part of the annual governance review. Where the audit committee takes on the responsibilities of the standards committee, there should be a clear distinction between the two roles and responsibilities in the terms of reference and meeting agendas.

Ethics in policing has received a lot of attention in the last few years with a number of reviews and new standards, including:

- the Code of Ethics (College of Policing, 2014)
- Tone from the Top: Leadership, Ethics and Accountability in Policing (Committee on Standards in Public Life, 2015)
- Integrity Matters (HMIC, 2016).

The establishment of an ethics committee to take the lead on this important area and to review and monitor practice is now regarded as best practice. In some policing areas these are separate committees, but in some areas the audit committees have taken on this responsibility.

There is no specific guidance on the operation of the ethics committee, but it is important to distinguish between the roles of the two committees. For the audit committee's governance responsibilities, it is appropriate for the committee to have an understanding of any current ethical risks and any initiatives to improve ethical behaviour within the force or PCC's office.

The audit committee should be satisfied that there are appropriate arrangements in place to support the committee's overview of governance and the AGS. The ethics committee's role will be to help establish and monitor those arrangements in practice, ensuring that the PCC and chief constable fulfill their statutory obligations. Where the audit committee is taking on wider ethics committee roles, then it should be clear within its terms of reference and meeting agendas how it separates the two roles.

TREASURY MANAGEMENT

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not require the audit committee to undertake that role and a local authority may nominate another committee instead. CIPFA is aware, however, that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance. The following clause from the Code should have been adopted by all local authorities and the appropriate body responsible for providing scrutiny nominated:

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, then it should be aware that it needs to undertake a scrutiny role in accordance with the Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Code clauses as these are executive and decision-making roles rather than a scrutiny role.

Where the committee is undertaking scrutiny then this is likely to involve the following actions:

- developing greater awareness and understanding of treasury matters among the committee members
- reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory
- receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause 3 of the Code so the purpose of receiving regular reports should be clear
- reviewing the treasury risk profile and adequacy of treasury risk management processes
- reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C.

CHAPTER 6

Independence and accountability

Extract from the Position Statement

3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:

- act as the principal non-executive, advisory function supporting those charged with governance
- in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
- be directly accountable to the authority's governing body or the PCC and chief constable.

7 To discharge its responsibilities effectively the committee should:

- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance'. In the police sector, both the PCC and chief constable are separate corporations sole and so each will fulfil the role of 'those charged with governance'.

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

1. any statutory guidance applicable to the sector
2. independence from the executive and political allegiances
3. a practical assessment of 'what works' in the local context.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences as a result of specific statutory guidance and regulations including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Local authorities in Wales have a clear statutory role established by the Local Government (Wales) Measure 2011. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance. The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee of which at least one member must be appointed as an independent member. The Home Office's Financial Management Code of Practice for the Police Forces of England and Wales (2013 – due to be updated in 2018) (the 'FMCP') requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The Policing and Crime Act 2017 enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC FRA. The 2018 edition of the FMCP is likely to include guidance concerning audit committees in this event.

Other regulations include the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland, which regulate functions such as internal audit, the review of the AGS and the accounts. These functions can be undertaken by the audit committee and where it does so, the committee should have regard to the regulations.

Impact of other legislation

The standards committee's role has been affected by the Localism Act 2011 in England, and some authorities have chosen to transfer responsibility for looking at ethical governance matters to the audit committee, while retaining a standards panel to oversee investigations.

Other relevant recommendations

The Exercise by Local Government Auditors of Their Functions in the Year to 31 March 2015, a report produced by the Chief Local Government Auditor of the Northern Ireland Audit Office, commented that in a small number of councils the audit committee was not operating as a full committee. The Chief Local Government Auditor has recommended that audit committees should be a full committee reporting directly to council.

STRUCTURE AND INDEPENDENCE

Local authorities

For local authorities, stand-alone audit committees reporting to full council are the most common arrangement in the UK. The CIPFA Survey on Audit Committees in Local Authorities and Police 2016 found that, across the UK, 85% of councils had audit committees that reported to full council, leaving only 15% that reported via cabinet or other committee. The survey also showed that the number of stand-alone audit committees had declined from 58% to 47% alongside a rise in the number of joint committees. Some joint committees' responsibilities were audit and risk or audit and governance, however, others included responsibilities such as procurement or health and safety. There had also been a small rise in the number of joint audit and standards committees. Another arrangement, more common in Scotland, was the integration of audit committee functions into a policy committee.

Reporting to the executive may appear to be advantageous if it increases the prospect of audit committee recommendations being addressed. However, there are two disadvantages from a wider governance perspective: first, by not reporting to full council ('those charged with governance'), the audit committee may not be supporting that body in discharging its governance responsibilities; and, second, members and citizens may see the audit committee as not being independent of the executive.

Combining audit with other committees may appear to be an attractive arrangement, but there is always a danger either that audit committee functions become diluted by the pressure of other business or that the proper functions of these bodies become less clear. Having a group of members bearing the name 'audit committee' will add weight when considering audit and related issues. Extending the remit of the audit committee to other matters could create confusion about the role of the audit committee and ultimately undermine its effectiveness.

Financial scrutiny is a different role from that fulfilled by the audit committee. Financial scrutiny committees are likely to undertake reviews of the council's budget proposals and financial performance. The audit committee should not seek to replicate scrutiny undertaken but should focus on the oversight of governance, risk and control and the audit process.

However the audit committee is constituted, all members should be aware that the work of the audit committee is non-political. Chapter 7 includes a section on the composition of the audit committee.

Combined authorities

The Cities and Local Government Devolution Act 2016 requires combined authorities to have an audit committee, but there are no requirements about where the committee fits into the overall governance structure of the authority. If the combined authority brings together the functions of the PCC with the local authority functions, and in time those of the fire authority as well, then it might be expected that there would be a single audit committee.

Police

Police audit committees are recommended by the FMCP to be joint committees, reporting both to the PCC and the chief constable. To date, all police audit committees operate in this way.

SHARED AUDIT COMMITTEES

Where authorities or policing bodies have entered into significant levels of partnership, a shared audit committee may be a practical way forward. This will be particularly appropriate where there is a shared management team and single functions for finance, audit and risk. In establishing the committee, consideration will need to be given to achieving a balance of representation between the partners and how the chair is to be selected.

AUDIT COMMITTEES IN PARTNERSHIP

Where an authority has major areas of governance and risk shared with other public bodies in a partnership, it may be appropriate to set up formal arrangements between the respective audit committees. This could involve one audit committee being nominated to take the lead on matters relating to the partnership. Alternatively, the audit committees could nominate representatives to a shared audit committee to oversee the partnership.

DECISION-MAKING POWERS AND DELEGATIONS

All audit committees are non-executive bodies whose role is to make recommendations rather than to decide policies directly. The impact of the committee is through influence and persuasion rather than direct decision making. The committee's effectiveness does not depend on the delegation of powers.

The constitution of a local authority may include direct delegations to its audit committee, for example to approve the AGS or financial statements on behalf of the authority, as well as undertaking the review. In establishing whether the audit committee is to have any delegated decision-making powers, the local authority should take into account the number and role of independent members on the committee. In doing this, it will need to take into account the issue of voting rights outlined in Chapter 7. CIPFA recommends that delegation of decision-making powers on matters not directly related to the work of the audit committee should be avoided.

Police audit committees in England and Wales can never be delegated decision-making or approval powers by the PCC or the chief constable.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Agenda management and frequency of meetings

The frequency and timing of meetings is a matter for each authority to determine, based on its corporate governance arrangements, together with consideration of how the committee can operate effectively and fulfil its purpose. To fit with planning, monitoring and annual reporting arrangements, most organisations will find they will require at least four meetings a year. Aspects of the audit committee agenda will be determined by statutory requirements related to the accounts and matters related to the financial year. Outside these agenda items, the audit committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken to balance the frequency of meetings against the need to give the business of the committee sufficient focused attention without lengthy and unproductive meetings. Equally, the audit committee should review whether the inclusion of each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Supporting the audit committee and key relationships

Effective administrative support for the audit committee will clearly be important as for any committee of the authority. If the committee is to take an active part in the authority's business, it should be administered as effectively as any other committee meeting. The regular attendance of key senior management figures is important – both to maintain the credibility of the committee and to ensure that members are adequately supported by appropriate professionals.

The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) emphasise the importance of having an effective audit committee to support the CFO. Police audit committees will need to work with the CFO of both the PCC and the chief constable. The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The CFO should therefore be a key point of contact for audit committee members and it is essential that the CFO has direct access to the committee. It is also a responsibility of the CFO to support the authority's internal audit arrangements and ensure that the audit committee receives any necessary advice and information, so that both functions can operate effectively. The audit committee should then be in a position to provide effective support to the CFO.

The head of internal audit should also have a good relationship with the committee and be a key point of contact. Internal audit reports or updates will be a regular feature of audit committee agendas, so the head of internal audit should be expected to attend all meetings.

A public sector requirement within the PSIAS states:

The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

The head of internal audit's relationship with the audit committee, especially the chair, is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The head of internal audit must work closely with the audit committee chair so that they are clear about their respective roles and make best use of the available resources.

To be effective, an audit committee will need to engage with a wider range of officers than representatives of finance and internal audit, essential though they are. While it is for each audit committee to determine who attends its meetings, the following examples demonstrate the wide range of officers who can attend and add value to audit committee meetings:

- chief executive or equivalent – for the AGS and other governance-related issues
- monitoring officer – for the AGS and ethical governance issues
- risk management officer – for discussions around the risk registers and risk reports
- head of counter fraud – for agenda items on fraud risks and counter fraud activity
- service senior managers – for audit, risk, or governance discussions on their service areas (while recognising the operational independence of the chief constable on operational policing matters)
- scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Consideration should also be given to supporting the audit committee outside formal meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. This issue may be of particular importance for police audit committees where the members are not routinely involved in other meetings and do not have the same rights of access to information as do local authority councillors. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Private meetings with external auditors and with internal auditors are a common feature of audit committees in the private sector and in other parts of the public sector. The aim of this is to ensure that there are opportunities to raise any concerns. In local authorities this has proved difficult to replicate because of the requirements for committee meetings to be held in public. Some authorities have approached this by specifying that such meetings are informal. Authorities should aim to provide full opportunities for auditors, external and internal, to have access to the chair of the audit committee.

ACCOUNTABILITY

Given its role in the governance structure and in promoting the principles of good governance, the audit committee should be clear how it supports one of the key principles: accountability. It is also important that the audit committee is, in its turn, held to account on the extent to which it has fulfilled its purpose. For an audit committee, accountability has to be considered under three aspects, each of which is considered below:

1. supporting the authority's accountability to the public and stakeholders
2. supporting accountability within the authority
3. holding the audit committee to account.

Supporting the authority's accountability to the public and stakeholders

The committee has a key role in reviewing the public reports of the authority and in helping the authority to discharge its responsibilities in this area. Committee meetings will normally be held in public, with the exception of exempt items, so this also contributes to the accountability of the authority to the public and stakeholders.

The Home Office publishes an Accountability System Statement for Policing and Crime Reduction which identifies the formal accountability relationships of policing bodies. The statement does not identify a formal accountability role for the police audit committee, which reflects its role as an advisory body supporting the PCC and chief constable. For police audit committees, therefore, the committee provides support for accountability to the public and other stakeholders but does not directly discharge that responsibility itself.

A wider group of stakeholders, such as partner organisations or the police and crime panel, may have an interest in the work of the committee, although there is no direct accountability relationship between the panel and the audit committee. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

Supporting accountability within the authority

Through review of internal and external audit reports, monitoring of risk registers and other key strategies, the audit committee will hold to account those responsible for the implementation of recommendations and action plans. In addition, by overseeing the process of evaluating and improving governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority is working well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly. In the most recent

CIPFA survey, this was an area that heads of internal audit identified for improvement in their audit committees.

Holding the audit committee to account

The audit committee should be held to account on a regular basis by the group to which it is accountable. For a local authority audit committee, this will be the council. For a police audit committee, it will be both the PCC and the chief constable. The aspects that should be specifically considered include:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control within the authority.

The preparation of an annual report by the committee can be a helpful way to address the key areas where the committee should be held to account. The annual report should be presented to those charged with governance: council or PCC and chief constable as appropriate. In addition, publication of the report will assist other stakeholders to understand the work of the committee.

It can be difficult to ensure that those not directly involved in the work of the committee achieve an understanding of its role. Where there is a lack of understanding about the work of the committee, then the process of holding the committee to account may not operate effectively. This is considered further in Chapter 7.

CHAPTER 7

Membership and effectiveness

Extract from the Position Statement

6 Good audit committees are characterised by:

- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of an authority will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
- a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- unbiased attitudes – treating auditors, the executive and management fairly
- the ability to challenge the executive and senior managers when required.

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be a key factor in achieving the characteristics of a good audit committee.

Audit committees in Welsh local authorities and combined authorities in England and in police audit committees in England and Wales are subject to specific rules on the composition of the audit committee as follows:

- The composition of the audit committee for Welsh local authorities is subject to the Local Government (Wales) Measure 2011, which requires local authority audit committees to have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor.
- Police audit committees should comprise between three and five members who are independent of the PCC and the force as required by the Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018).

- Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 require combined authority audit committees to include at least one independent member. The definition of independent is set out in the statutory guidance.

In other parts of the local authority sector there are no statutory requirements that determine the composition of the audit committee. In Northern Ireland, the Chief Local Government Auditor has recommended that suitable independent members are appointed to all local authority audit committees. In the most recent report, ten out of eleven local authority committees had appointed at least one independent member to the committee.

CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

In other sectors, the audit committee can be small – fewer than six members. Guidance on Audit Committees (FRC, 2016) says that an audit committee should have at least three non-executive directors. The Audit and Risk Assurance Committee Handbook (HM Treasury, 2016) states that a committee should have at least three members of which there should be two non-executive board members, one of whom will chair the committee; executive members are explicitly excluded.

In the local authority sector where membership of the committee is drawn from elected representatives, the depth of knowledge and experience that is desirable may be harder to achieve with a small number, however, there is a risk that creating a large committee will mean that it is harder to create the necessary focus. There is no consistency in the local government sector on the size of the committee. CIPFA's 2016 survey of audit committees found that size of the committee ranged from five to fifteen or more, although 47% had between six and eight members, with 2% having fewer and 50% having more. The survey showed that the average size of the committee had increased since CIPFA's 2011 survey.

Elected members of local authorities are members of the council and thus are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members who are also involved in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Having executive members on the committee is discouraged as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters. This approach is consistent with audit committee practice in other parts of the public sector and in the private sector. Inviting an executive member onto the committee should be avoided unless the committee has other compensating arrangements to ensure independence, for example, a majority of independent members or an independent chair. The executive member should not chair the committee. The leader of the cabinet, administration or the elected mayor should not be a member of the audit committee. However, the audit committee can invite members of the executive to attend to discuss issues within its remit and to brief the committee on the actions they are taking.

Any audit committee that is a properly constituted committee of the council will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. Under the statutory guidance, combined authorities are required to reflect the political balance of the constituent authorities as far as is practicable. One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

Good practice shows that co-option of independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle.

There are some potential pitfalls to the use of independent members which should also be borne in mind:

- over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee
- lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports
- effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

These factors should be taken into account when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Voting rights of independent members

Local authorities should have regard to Section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. Where the audit committee is operating as an advisory committee under the Local Government Act 1972, making recommendations rather than policy, then all members of the committee should be able to vote on that recommendation. If the council wishes to delegate decisions to the committee, for example the adoption of the financial statements, then the independent member will not be able to vote on those matters for decision. The minutes of the meeting should make clear in what capacity the committee is voting.

Recruitment process

The job description of the independent member should be drawn up and agreed before commencing recruitment. The requirement for relevant knowledge or expertise should be clearly determined. Vacancies should be publicly advertised, as is good practice for any public appointment. Candidates should be able to demonstrate their political independence and their suitability should be checked. Only the independent members for combined authorities have to satisfy specific definitions of their independence. Appropriate enquiries will need to be made as part of the recruitment process to ensure that any applicants satisfy the requirements, and continuation of compliance should be monitored during the term of appointment.

Independent members' appointments should be for a fixed term and be formally approved by the local authority's council or the PCC and the chief constable. Provision should be made for early termination and extension to avoid lack of clarity in the future. While operating as a member of the audit committee, the independent member should follow the same code of conduct as elected members and a register of interests should be maintained.

The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.

KNOWLEDGE AND EXPERIENCE

There is a range of knowledge and experience that audit committee members can bring to the committee and which will enable it to perform effectively. No one committee member would be expected to be expert in all areas, but there are some core areas of knowledge that committee members will need to acquire. There will also be a need for regular briefings or training to help committee members keep up to date or extend their knowledge.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can be used to guide members on their training needs and to evaluate the overall knowledge and skills of the committee. It can also be used when recruiting independent members. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the whole operation of the authority so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience, for example in accountancy, audit, governance and risk management, will add value to the committee.

Skills and competencies

A number of skills are beneficial for the audit committee member to have. There are also specific skills that the audit committee chair will need. Many of these skills are not unique to the role of audit committee member and experience in other member or non-executive roles will have helped to build these skills. Many authorities have training and development plans for elected members, which may include similar skill or competency training opportunities. Evidence of appropriate skills and knowledge should also be sought where independent members are being recruited to the committee.

Self-assessment and training

Audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis. Regardless of the knowledge and skills a member has when joining the committee, there needs to be a commitment to participate in training and development to ensure that knowledge is kept up to date. The authority should establish a programme of support that involves induction training, regular briefings and updates as well as formal training programmes. This may require the allocation of a budget to provide appropriate support.

Role of the chair

Police audit committees and some authority audit committees may advertise specifically for an independent chair. Following appointment, it would be expected that the person would remain as chair for their appointed period. Where the chair is an elected councilor, the appointment is likely to be made during the annual council and may only be for that committee cycle. Whether undertaken during recruitment or the annual committee cycle, ideally the selection of the chair will take into account the characteristics required of an effective chair. These include:

- an ability to plan the work of the committee over the year and beyond
- skills of managing meetings
- an ability to bring an objective, apolitical attitude
- a core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. In making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

DEVELOPING AUDIT COMMITTEE EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.

Using the recommended practice in this publication should help the authority to achieve a good standard of performance. The evaluation at Appendix D will support an assessment against recommended practice to inform and support the audit committee. Authorities are encouraged not to regard meeting recommended practice as a tick-box activity, and they should recognise that achieving recommended practice does not mean necessarily that the committee is effective.

The selection of audit committee members, their knowledge, skills and experience are an essential component of an effective committee. Regular briefings and training are essential to keep members up to date in their role. Members will become more effective with experience so it is helpful to have some continuity of membership on the committee.

The approach and priorities of the audit committee will need to adapt to the risks and challenges facing the authority and reflect the maturity of its governance, risk and control arrangements. For example, in a new authority or one that has gone through significant structural change, there may be little continuity of governance and control arrangements. As a result, the audit committee will focus on the establishment of appropriate arrangements.

Where an authority has been found to have significant weaknesses in its governance or control arrangements, perhaps identified through an inspection or audit, then the audit committee will support the implementation of recommendations or action plans. Where there are barriers to that improvement, the committee may need to adopt a more questioning or challenging role to help break down those barriers. In those authorities where governance, risk and control are satisfactory overall, the audit committee may give greater focus to new risks and developments, but will also want to seek assurance that satisfactory performance does not lead to complacency and lack of innovation.

COMMON AREAS OF DIFFICULTY FOR AUDIT COMMITTEES

It is not uncommon for audit committees to face difficulties or barriers to fulfilling their potential effectiveness. CIPFA's survey of audit committees in 2016 identified the principal barriers faced by both local authority and police audit committees. For local authorities, the top three were:

1. limited knowledge and experience of the members
2. the committee not being seen as a priority by other members
3. the intrusion of political interests.

For police audit committees, the top three barriers were:

1. the committee was not considered a priority by the PCC and chief constable
2. the committee was not considered a priority by senior management
3. poor relationships between committee members and staff.

The barriers reflect the different make-up of local authority and police committees.

Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members	■ Where turnover of membership is very frequent, it will be difficult for the committee to build up experience	■ Enhanced level of support and training to members will be required ■ To enhance continuity the authority could consider recruitment of independent members
Audit committee members do not feel confident in their knowledge of particular areas	■ Lack of training and support	■ Enhanced level of support and training to members
Independent members lack knowledge of the organisation and lack connections with key managers	■ Poor induction ■ Limited opportunities to engage with the organisation outside formal meetings	■ Improve induction ■ Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion	■ Lack of experience or skill in managing meetings by the chair ■ Committee members are unsure about their role ■ Poor support from the committee secretary	■ Training and support ■ Develop a mentoring/ coaching programme ■ Chair seeks feedback from meeting participants ■ Consider skills and experience in the selection of the chair ■ Provide training and guidance to committee members on their role ■ Improve committee support
The audit committee spends too much time on minor areas rather than strategic or wide-ranging issues	■ Agenda management fails to prioritise key areas ■ The chair does not intervene to keep focus at an appropriate level	■ Review the process of agenda development ■ Review the terms of reference and provide training ■ The chair seeks feedback from meeting participants ■ Provide the chair with committee management training
The audit committee is little known or understood in many parts of the authority	■ The audit committee fails to engage with many parts of the authority ■ Attendance is often limited to the CFO and the head of internal audit	■ Expand attendance at audit committee meetings. For example, invite heads of service when major risks or control issues are being discussed

Areas of difficulty	Possible causes	Possible improvement options
The audit committee is little known or understood by those not on the committee	■ Lack of feedback or reporting arrangements	■ Invite newly elected members to attend audit committee meetings ■ Review reporting arrangements ■ Consider an annual report that sets out how the committee has fulfilled its responsibilities
Recommendations made by the audit committee are not actioned	■ Poor relationship between the committee and the executive or senior officers ■ The audit committee's recommendations are not adequately aligned to organisational objectives	■ A senior officer provides internal facilitation to support improved relationships ■ Improve knowledge and skills among audit committee members ■ Ensure better engagement with appropriate managers or the executive at an earlier stage
The audit committee fails to make recommendations or follow up on issues of concern	■ A weak or inexperienced chair ■ Members are inexperienced or do not fully understand their role ■ Poor briefing arrangements prior to meetings ■ Committee reports fail to adequately identify the action required by the committee	■ Provide guidance and support ■ Improve briefing to the chair prior to the meeting ■ Ensure reports contain clear recommendations
The audit committee strays beyond its terms of reference, for example undertaking a scrutiny role	■ The terms of reference do not adequately scope the work of the committee ■ Misunderstanding about the role of the committee ■ Inadequate guidance from committee secretary to the chair on its role	■ Review the terms of reference and provide training and guidance

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee	■ Lack of understanding about the role of the committee	■ Seek feedback from those interacting with the committee or external assessment ■ Provide support for or training for the chair ■ Consider the inclusion or role of independent members
A breakdown in the relationship between committee members and the executive, PCC or chief constable or with senior management	■ Lack of understanding about the role of the committee ■ Differing perceptions on the value of the committee ■ Personality clashes	■ Review the terms of reference and provide training and guidance ■ A senior officer provides internal facilitation to support improved relationships ■ Seek an external assessment or facilitation ■ Change the chair or membership, if the constitution or opportunity arises

APPROACHES TO IMPROVEMENT AND EVALUATING EFFECTIVENESS

The areas included on audit committee agendas are regularly impacted by new legislation, professional guidance and research, so even knowledgeable and experienced audit committee members need access to briefings or training to remain effective. Where areas for development have been identified in the operation of the committee, then a more comprehensive action plan may be required.

Seeking feedback on the operation of the committee may be helpful to supplement a self-assessment. Those interacting regularly with the committee or relying on its output would be the principal sources of feedback. Where the committee is struggling, an external assessment may be an appropriate way to evaluate the committee and to develop an action plan for improvement.

Appendix E contains an assessment tool to help audit committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.

APPENDIX A

Sector and devolved government guidance

PART 1 – COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATED TO AUDIT COMMITTEES

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Establishment of audit committee	■ Required	■ Required	■ Required ■ It is recommended that this should be a combined body for both PCC and chief constable	No guidance
Composition of the audit committee	■ Committees must have at least one independent person as defined by guidance ■ The committee should reflect the political balance of the constituent authorities, as far as is reasonably practical ■ The committee may not include an officer of the combined authority or a constituent council	■ Committees must have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor	■ Police audit committees should comprise between three and five members who are independent of the PCC and the force (where applicable)	No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specified functions of the audit committee	a) Review and scrutinise the authority's financial affairs b) Review and assess the authority's risk management, internal control and corporate governance arrangements c) Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions d) Make reports and recommendations to the combined authority	a) Review and scrutinise the authority's financial affairs b) Make reports and recommendations in relation to the authority's financial affairs c) Review and assess the risk management, internal control and corporate governance arrangements of the authority d) Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements e) Oversee the authority's internal and external audit arrangements f) Review the financial statements prepared by the authority	Consider the internal and external audit reports of both the PCC and the chief constable Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices	No guidance
Responsibilities of the audit committee in relation to external audit	■ No guidance	■ Oversee external audit arrangements	■ Review external audit reports	No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specific guidance	■ Cities and Local Government Devolution Act 2016 ■ Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016	■ Local Government (Wales) Measure 2011 Statutory Guidance from the Local Government Measure 2011	Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018)	N/A

PART 2 – GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and Audit Regulations are statutory instruments issued by the UK or the devolved governments. The various regulations impose requirements on ‘relevant bodies’, eg a local authority, a fire and rescue authority or police body, in relation to governance, internal control, financial reporting and internal audit.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a summary for each sector and/or region of the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic update by the appropriate government body and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)

Relevant government guidance	Accounts and Audit (England) Regulations 2015
Governance and risk management arrangements	Regulation 3 requires that: *A relevant authority must ensure that it has a sound system of internal control which –* *(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;* *(b) ensures that the financial and operational management of the authority is effective; and* *(c) includes effective arrangements for the management of risk*
Authority’s financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body’s system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Local authorities in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018
Governance and risk management arrangements	Regulation 5 requires the following: *5.—(1) The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and whichincludes—* *a) arrangements for the management of risk, and* *b) adequate and effective financial management*
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices
Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government Measure (Wales) 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

Local authorities in Scotland

Relevant government guidance	Local Authority Accounts (Scotland) Regulations 2014
Governance and risk management arrangements	Regulation 5 requires the following: *A local authority is responsible for ensuring that the authority has a sound system of internal control which –* *(a) facilitates the effective exercise of the authority's functions; and* *(b) includes arrangements for the management of risk*
Financial affairs and financial statements	Regulation 5 requires the following: *A local authority is responsible for ensuring that the financial management of the authority is adequate and effective* Regulation 6 relates to accounting records and control systems Regulations 8, 10 and 11 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the authority to: *conduct a review at least once in each financial year of the effectiveness of its system of internal control.*

Approval of annual governance statements	Regulation 5 relates to the approval of an AGS prepared in accordance with proper practices in relation to internal control
Internal audit	Regulation 7 requires a local authority to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing
Review of effectiveness of internal audit	Regulation 7 requires a local authority to assess the efficiency and effectiveness of its internal auditing in accordance with the recognised standards and practices

Local authorities in Northern Ireland

Relevant government guidance	Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Governance and risk management arrangements	Regulation 4 requires a local government body to ensure that the financial management of the local government body is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk
Authority's financial affairs and financial statements	Regulation 5 relates to accounting records and control systems Regulations 7 and 8 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 4 requires a review of the effectiveness of the body's system of internal control and to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control
Approval of annual governance statements	Regulation 4 requires the body to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control The accompanying guidance from the Department of the Environment identifies the CIPFA/Solace 2007 Framework and 2012 Addendum as proper practices – these have now been replaced by the 2016 Framework
Internal audit	Regulation 6 requires the local government body to undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time The accompanying guidance from the Department of the Environment identifies the PSIAS as the appropriate internal audit standard

Police in England

Relevant government guidance	Accounts and Audit (England) Regulations 2015 – see also the statutory guidance Financial Management Code of Practice for the Police Forces of England and Wales (FMCP) (Home Office, 2013 – due to be updated in 2018)
Governance and risk management arrangements	Regulation 3 requires the following: *A relevant authority must ensure that it has a sound system of internal control which –* *(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;* *(b) ensures that the financial and operational management of the authority is effective; and* *(c) includes effective arrangements for the management of risk.*
Authority's financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body's system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Police in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 – see also the FMCP
Governance and risk management arrangements	Regulation 5 requires the following: *A local authority is responsible for ensuring that the authority has a sound system of internal control which –* *(a) facilitates the effective exercise of the authority's functions; and* *(b) includes arrangements for the management of risk.*
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires that the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices

Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government (Wales) Measure 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

APPENDIX B

Suggested terms of reference – local authorities and police

INTRODUCTION

This appendix contains two sets of suggested terms of reference, one for local authorities and one for police. The principal difference between them is that the police audit committee must ensure that its terms of reference are in accordance with the Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. In addition, where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. Some of the internal audit responsibilities identified in the terms of reference may not be carried out by the audit committee but by others.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

1 Our audit committee is a key component of [name of authority]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

2 The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]'s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

4 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

6 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

7 To monitor the effective development and operation of risk management in the council.

8 To monitor progress in addressing risk-related issues reported to the committee.

9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

11 To monitor the counter-fraud strategy, actions and resources.

12 To review the governance and assurance arrangements for significant partnerships or collaborations.

To fulfil the requirements of the Local Authority Measure within their terms of reference, local authorities in Wales should identify those aspects which are specified in the Measure. See Appendix A for details. CIPFA considers that the requirement to review and make recommendations on the authority's financial affairs will be fulfilled by reference to items 5, 9 and 10 in these suggested terms of reference as well as those under financial reporting.

Internal audit

13 To approve the internal audit charter.

14 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

15 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

16 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

17 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

19 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work

b) regular reports on the results of the QAIP

c) reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.

20 To consider the head of internal audit's annual report:

a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.

b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.

21 To consider summaries of specific internal audit reports as requested.

22 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

23 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

24 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).

25 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

27 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

28 To consider specific reports as agreed with the external auditor.

29 To comment on the scope and depth of external audit work and to ensure it gives value for money.

30 To commission work from internal and external audit.

31 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

32 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

33 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

34 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

35 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

36 To publish an annual report on the work of the committee.

SUGGESTED TERMS OF REFERENCE – POLICE

There is no formal requirement as to how the audit committee relates to the governance structures of the PCC and the chief constable, but it is recommended that this is clearly set out in the terms of reference.

Statement of purpose

1 Our [audit] [joint audit] committee is a key component of [name of body]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

2 The purpose of our [audit] [joint audit] committee is to provide independent advice and recommendation to [select from 'the police and crime commissioner' (or name), 'the chief constable' (or name)] on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of [name of body]'s governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.

3 These terms of reference will summarise the core functions of the committee in relation to the office of the police and crime commissioner (OPCC) and to the constabulary and describe the protocols in place to enable it to operate independently, robustly and effectively.

Governance, risk and control

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

4 Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

5 Review the annual governance statement[s] prior to approval and consider whether [it] [they] properly [reflects] [reflect] the governance, risk and control environment and supporting assurances and identify any actions required for improvement.

6 Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

7 Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the constabulary.

8 Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC/the chief constable in addressing risk-related issues reported to them.

9 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

10 Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources.

11 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

12 Annually review the internal audit charter and resources.

13 Review the internal audit plan and any proposed revisions to the internal audit plan.

14 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.

15 Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.

16 To consider the head of internal audit's statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.

17 Consider summaries of internal audit reports and such detailed reports as the committee may request from the PCC/the chief constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.

18 Consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (Wales) 2014 (see Appendix A).

19 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.

External audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

20 Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by either PSAA or the auditor panel as appropriate.

21 Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.

22 Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance.

23 Consider specific reports as agreed with the external auditor.

24 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

25 Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the chief constable.

26 Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

Accountability arrangements

The committee will do the following:

27 On a timely basis report to the PCC and the chief constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.

28 Report to the PCC and the chief constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

29 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the chief constable.

30 Publish an annual report on the work of the committee.

APPENDIX C

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	■ An overview of the governance structures of the authority and decision-making processes ■ Knowledge of the organisational objectives and major functions of the authority	■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers
Audit committee role and functions (Chapters 3 and 6)	■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements ■ Knowledge of the purpose and role of the audit committee	■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance (Chapter 4)	■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS ■ Knowledge of the local code of governance	■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework ■ The committee will plan the assurances it is to receive in order to adequately support the AGS ■ The committee will review the AGS and consider how the authority is meeting the principles of good governance

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit (Chapter 4)	■ An awareness of the key principles of the PSIAS and the LGAN ■ Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled	■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards ■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards ■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed ■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan
Financial management and accounting (Chapter 4)	■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them ■ Understanding of good financial management principles ■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)	■ Reviewing the financial statements prior to publication, asking questions ■ Receiving the external audit report and opinion on the financial audit ■ Reviewing both external and internal audit recommendations relating to financial management and controls ■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS
External audit (Chapter 4)	■ Knowledge of the role and functions of the external auditor and who currently undertakes this role ■ Knowledge of the key reports and assurances that external audit will provide ■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken	■ The audit committee should meet with the external auditor regularly and receive their reports and opinions ■ Monitoring external audit recommendations and maximising benefit from audit process ■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management (Chapter 4)	■ Understanding of the principles of risk management, including linkage to good governance and decision making ■ Knowledge of the risk management policy and strategy of the organisation ■ Understanding of risk governance arrangements, including the role of members and of the audit committee	■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces ■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee ■ The committee should also review reports and action plans to develop the application of risk management practice
Counter fraud (Chapter 4)	■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed ■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Knowledge of the organisation's arrangements for tackling fraud	■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy ■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment
Values of good governance (Chapter 5)	■ Knowledge of the Seven Principles of Public Life ■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff ■ Knowledge of the whistleblowing arrangements in the authority	■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS ■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)	■ Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management ■ See also Treasure Your Assets (CfPS, 2017)	■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	■ Professional qualification in accountancy	■ More able to engage with the review of the accounts and financial management issues coming before the committee ■ Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues ■ More able to engage with the external auditors and understand the results of audit work
Internal audit	■ Professional qualification in internal audit	■ This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing ■ The committee would be more able to provide oversight of internal audit and review the output of audit reports
Risk management	■ Risk management qualification ■ Practical experience of applying risk management ■ Knowledge of risks and opportunities associated with major areas of activity	■ Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice ■ Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers
Governance and legal	■ Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law	■ Legal knowledge may add value when the committee considers areas of legal risk or governance issues
Service knowledge relevant to the functions of the organisation	■ Direct experience of managing or working in a service area similar to that operated by the authority ■ Previous scrutiny committee experience	■ Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Programme and project management	■ Project management qualifications or practical knowledge of project management principles	■ Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	■ Knowledge gained from management or development work in IT	■ Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	■ Able to focus on material issues and overall position, rather than being side tracked by detail	■ When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail
Questioning and constructive challenge	■ Able to frame questions that draw out relevant facts and explanations ■ Challenging performance and seeking explanations while avoiding hostility or grandstanding	■ The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found
Focus on improvement	■ Ensuring there is a clear plan of action and allocation of responsibility	■ The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities ■ Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken
Able to balance practicality against theory	■ Able to understand the practical implications of recommendations to understand how they might work in practice	■ The audit committee should seek assurances that planned actions are practical and realistic

Skills	Key elements	How the audit committee member is able to apply the skill
Clear communication skills and focus on the needs of users	■ Support the use of plain English in communications, avoiding jargon, acronyms, etc	■ The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience
Objectivity	■ Evaluate information on the basis of evidence presented and avoiding bias or subjectivity	■ The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views
Meeting management skills	■ Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting	■ These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

APPENDIX D

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

	Good practice questions	Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full council? (applicable to local government only)			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	■ good governance			
	■ assurance framework, including partnerships and collaboration arrangements			
	■ internal audit			
	■ external audit			
	■ financial reporting			
	■ risk management			
	■ value for money or best value			

	Good practice questions	Yes	Partly	No
	■ counter fraud and corruption			
	■ supporting the ethical framework			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			
14	Does the chair of the committee have appropriate knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?			
18	Is adequate secretariat and administrative support to the committee provided?			

	Good practice questions	Yes	Partly	No
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
20	Are meetings effective with a good level of discussion and engagement from all the members?			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			
23	Has the committee evaluated whether and how it is adding value to the organisation?			
24	Does the committee have an action plan to improve any areas of weakness?			
25	Does the committee publish an annual report to account for its performance and explain its work?			

APPENDIX E

Evaluating the effectiveness of the audit committee

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making	■ Supporting the development of a local code of governance ■ Providing robust review of the AGS and the assurances underpinning it ■ Working with key members/PCC and chief constable to improve their understanding of the AGS and their contribution to it ■ Supporting reviews/audits of governance arrangements ■ Participating in self-assessments of governance arrangements ■ Working with partner audit committees to review governance arrangements in partnerships		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Contributing to the development of an effective control environment	■ Actively monitoring the implementation of recommendations from auditors ■ Encouraging ownership of the internal control framework by appropriate managers ■ Raising significant concerns over controls with appropriate senior managers		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	■ Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking ■ Monitoring improvements ■ Holding risk owners to account for major/strategic risks		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	■ Specifying its assurance needs, identifying gaps or overlaps in assurance ■ Seeking to streamline assurance gathering and reporting ■ Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	■ Reviewing the audit charter and functional reporting arrangements ■ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements ■ Actively supporting the quality assurance and improvement programme of internal audit		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	■ Reviewing how the governance arrangements support the achievement of sustainable outcomes ■ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place ■ Reviewing the effectiveness of performance management arrangements		
Supporting the development of robust arrangements for ensuring value for money	■ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee ■ Considering how performance in value for money is evaluated as part of the AGS		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	■ Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks ■ Assessing the effectiveness of ethical governance arrangements for both staff and governors		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	■ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English ■ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency ■ Publishing an annual report from the committee		

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 18 APRIL 2019

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 18 APRIL 2018

Present:

Councillor G Morley …………. (Chair)
Councillor G Butler ………… (Vice Chair)

Councillor B Barnes
" M E Thacker
Councillor C A Smith

Also Present:

K Apps – Interim Joint Head of Economic Development (For Minute 723)
J Dethick – Chief Accountant and Section 151 Officer
L Hickin – Joint Strategic Director People
A Maher – Senior Governance Officer
M Norman - Mazars
S Sternberg – Joint Head of Corporate Governance and Monitoring Officer
J Williams – Internal Audit Consortium Manager

713 Apologies for Absence

Apologies for absence had been received from Councillors S Ellis, G Hopkinson and A Garrett.

714 Declarations of Interest

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and to withdraw from the meeting at the appropriate time.

There were no interests declared at this meeting.

715 Minutes of Last Meeting

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 31 January 2019 be approved as a correct record and signed by the Chair.

716 Audit Strategy Memorandum

Audit and Corporate Governance Scrutiny Committee considered the Audit Strategy Memorandum, prepared by the Council's External Auditors, Mazars, for the year ending 31 March 2019. The purpose of the Memorandum was to help explain how the company will approach its role as the Council's External Auditor, to highlight any significant audit risks and set out the 'key judgements' that will have to be made in response to these risks.

Committee discussed briefly the Memorandum and noted that there had been no changes on the original text, which had been shared with the Council. Members were told that the text mistakenly stated that the Management Fee to Mazars for their work as the Council's External Auditors had increased. In fact, it had been reduced.

RESOLVED – That Audit and Corporate Governance Scrutiny Committee notes the Audit Strategy Memorandum, prepared by the Council's External Auditors, Mazars.

717 Audit and Corporate Governance Scrutiny Committee Progress Report – March 2019

Committee considered the External Audit Progress report and Technical Update prepared by the Council's External Auditors, Mazars.

The progress report updated Members on developments since the last meeting of the Committee. During the discussion on the report, Committee was reminded that the planned interim audit had taken place in February 2019. This had gone well and had raised no specific issues requiring the Committees attention. Members welcomed this. Committee was also reminded that CIPFA had drawn up a proposed Financial Management Code for Local Government, which the Council would have the opportunity to comment on.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the Audit and Corporate Governance Scrutiny Committee Progress Report – March 2019 prepared by the Council's External Auditors, Mazars.

718 Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2018/2019

The Committee considered a report on the 2018/2019 Internal Audit Plan prepared by the Internal Audit Consortium Manager. In particular, Members heard that six reports had been issued since mid-January 2019. Four of these audit reports had received the rating of 'Substantial Assurance'. The other two were given the rating of 'Reasonable Assurance'.

Members were informed that because of vacancies during the year within the Internal Audit Consortium, there had been a slight delay in completing the 2018/19 internal audit plan. However, ground had been made up and six further reviews were now in progress. The Committee welcomed this.

Members discussed the audits which had taken place since mid-January 2019 and in particular, the audit into Sundry Debtors. Committee learnt that the scope and objectives for this review had been to ensure that invoices were raised promptly and accurately and that there were appropriate and effective debt collection procedures in place.

Committee noted that this audit had resulted in a 'Substantial Assurance' rating. Members appreciated the progress which had been made towards improving the Council's financial processes, in order to help ensure that debts are managed appropriately. They hoped that further progress could be made. Specific mention was made in this context of business tenants occupying industrial units, who run the risk of building up very large debts to the Council, unless these debts are identified at an early stage and dealt with appropriately before they escalate.

Members discussed the current audits. Committee was told about the scope and objectives of the audit review into 'fly-tipping' and how this would focus on the effectiveness of the Council's systems for reporting and recording such incidents and whether these could be improved.

Members were also told that the audit review on 'disaster recovery' was focusing on the Council's contingency arrangements, to ensure that it would continue to operate in the event that it suffered a large scale loss of its ICT systems.

RESOLVED – That the Internal Audit Consortium's summary of Progress on the Internal Audit Action Plan 2018/2019 be noted.

719 Internal Audit Plan 2019/2020

The report set out the proposed Internal Audit Plan for 2019/2020. This made it clear that the Internal Audit Consortium would allocate North East Derbyshire District Council a total of 486 audit days during the year. This is the same number of days that were allocated by the Consortium in 2018/2019. Of these, 118 audit days would be allocated to auditing the main financial systems, 104 to corporate/cross cutting issues and 97 to Rykneld Homes Limited.

Members discussed the report and considered the risk factors associated with the different business areas and processes. They queried why some reviews were classed as low or medium risks, such as leisure reviews, while others were given a high priority, such as cyber security.

The Committee recognised the need for the Consortium to allocate audit days to those areas of greatest risk. Committee made it clear that it was satisfied with the proposed Internal Audit Plan and felt that it would help to achieve the goal of focusing on the areas of greater risk.

RESOLVED – That Audit and Corporate Governance Scrutiny Committee endorses the Internal Audit Action Plan 2019/2020.

720 Annual Review of the Effectiveness of Internal Audit

The report to Committee explained that the Chief Financial Officer had carried out her annual review of the Internal Audit Service. She had concluded that the Internal Audit Section, which operates as part of the Internal Audit Consortium carries out the function competently and to a high standard. She also agreed that the Consortium offers an effective service which the Council can rely upon. This was welcomed by the Committee.

The reasons for these conclusions were set out in the report. Members were informed in this context that the Consortium had delivered at least 96% of the Internal Audit Plan 2018/2019. Only one audit review scheduled for the year had had to be deferred until 2019/2020.

The Committee was pleased with the progress that had been made and hoped that the Consortium would continue to provide its internal audit service to the Council at the current high standards.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee endorses the Chief Financial Officer's assessment that the internal audit function is being carried out by the Internal Audit Consortium competently and to a high standard. It also endorses The Chief Financial Officer's assessment that the Consortium provides an effective service to the Council, which can be relied upon.

721 Corporate Debt

The report to Committee summarised the Corporate Debt owed to the Council. In particular, it explained the position in terms of 'Sundry Debtors', over-paid Housing Benefit and Housing Revenue Accounts (HRA) total indebtedness. The report made clear that progress had been achieved towards reducing the average amount owed by Sundry Debtors, which had fallen since 2014/2015. The Committee was also informed that the average over payment of Housing Benefit had fallen over the last four years as well. In addition, there had been a reduction in average levels of HRA total indebtedness.

Members discussed the number of write offs that had to be made. It was emphasised that debts were only written off as and when it became simply not possible to recover them. Again, the point was made that debts should not be allowed to grow unchecked to the point where they become unrecoverable – and especially for people on low income or benefits. Specific concern was raised about the impact on individuals, for example who received Housing Benefit over payments and then struggle when they are required to pay back this money.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the current position on the Council's corporate debt, as at the end of April 2019.

722 Annual Governance Statement

Members were reminded that as part of its Statement of Accounts the Council was required to agree and include an 'Annual Governance Statement'. This Statement had to be in line with the Chartered Institute of Public Finance and Accountability (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework, setting out the core principles of corporate governance which authorities should follow. These principles were set out in the report prepared by the Joint Head of Corporate Governance and Monitoring Officer.

Committee discussed the proposed Annual Governance Statement. Members welcomed its key conclusion that, based on the evidence, the Council has a robust system of governance and internal control in place. However, Members were told that several significant governance issues had been identified and these had been set out in the proposed statement. Specific mention was made of the financial challenges facing the Council and especially the need to make significant efficiency savings of £7.7m over the period to March 2023 in order to secure a balanced budget. Members were reminded that in response to this, the Council had developed a transformation programme, which includes measures to deliver the efficiency gains necessary to operate within its underlying level of resources and to achieve a balanced budget over the period of the Medium Term Financial Plan.

Committee then considered the Local Code of Corporate Governance, which Members were also asked to approve alongside the proposed Annual Governance Statement. Committee made it clear that it was content with the approach that had been taken and had no suggested amendments to make to the proposed Annual Governance Statement or Local Code of Corporate Governance at this time.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee endorses the draft Annual Governance Statement and the Local Code of Corporate Governance.

723 Corporate Plan Targets Performance Update – Target G12 Bringing Empty Properties Back into Use

The Acting Head of Economic Development explained to the Committee how the Council was performing against the Corporate Plan Target G12, to bring empty properties in the District back into use. As part of this, he highlighted a specific example of a complex case involving an absentee property owner, who had been able to sell their property which had now been brought back into use as a home. He also highlighted the successful work that had taken place to bring together landlords, letting agents and other organisations in order to help make it easier for owners to rent out their properties.

In addition, Members heard about the work to support young people so that they hold down tenancies and how the Council had co-operated to help bring empty properties back into use specifically targeted at meeting the needs of young people.

Finally, Committee noted that the Council had worked with E-on to develop and implement an innovative approach to bring empty properties back into use. Members heard that to date 13 properties had been brought into use, with more to follow. Committee welcomed the progress, which compared favourably to previous attempts that had been made to bring empty properties back into use.

Members discussed progress against the Corporate Plan target. There was a consensus that a lot had been achieved and that empty properties in the District were being brought back into use. Committee recognised the extensive support that the Council and others are offering to landlords, including those who may want to rent out a single property, perhaps following a bereavement, who are unsure how to do this. Members were informed how they are currently helped in order to do this in a professional way, which benefits both them and their potential tenants.

Committee was informed that the government had announced plans to abolish so called ‘Section 21’ no fault evictions in England. Members learnt that this challenge, which is subject to consultation, would prevent private landlords from evicting tenants at the end of their fixed term tenancies, unless they had breach the terms in ways that justified an at fault eviction.

Members learned that concern had been expressed about how if private tenancies become, in practice, open ended, then this might discourage some people from letting out their properties, for fear that they may not be able to end any tenancies that they agree to. Consequently, the proposed change might have the unintended consequence of actually reducing the number of homes to rent. Committee felt that further development on this should continue to be monitored.

724 Urgent Business

There was no urgent business to be discussed at the meeting.

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Audit Completion Report

Report of the Council's External Auditor Mazars

This report is public

Purpose of the Report

- To provide the Audit and Corporate Governance Scrutiny Committee with a copy of the audit completion report provided by our external auditors Mazars in respect of the 2018/19 financial year.

- To secure the approval of the Audit and Corporate Governance Scrutiny Committee to the Letter of Representation to be provided by the Council to Mazars.

1 Report Details

1.1 The Audit Completion Report attached as **Appendix 1** summarises the findings of Mazars in respect of their 2018/19 audit.

1.2 The Committee are requested to note and consider the Management Representation Letter contained within the Audit Completion Report (appendix A). The Chair of this Committee and the Chief Financial Officer will be required to sign the management representation letter to Mazars on behalf of the Council.

2 Conclusions and Reasons for Recommendation

2.1 This report is presented to the Audit and Corporate Governance Scrutiny Committee as part of the process of agreeing the Council's Statement of Accounts in respect of the 2018/19 financial year.

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

4.1 The process set out within this report is prescribed by statutory requirement and recognised good practice. Accordingly, there are no alternative options for consideration.

5 Implications

5.1 Finance and Risk Implications

These are set out within the report.

5.2 Legal Implications including Data Protection

The process is being undertaken in accordance with the requirements of the Accounts and Audit Regulations.

5.3 Human Resources Implications

There are no Human Resource implications arising directly from this report.

6 Recommendations

6.1 That the Audit and Corporate Governance Scrutiny Committee gives its consideration to the attached report from the Councils external auditors, Mazars.

6.2 That the Audit and Corporate Governance Scrutiny Committee approve the Letter of Representation contained within the Audit Completion Report (Appendix A) and authorise the Chair of this Committee and the Chief Financial Officer to sign the letter on behalf of the Council.

7 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: *BDC:* *Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC:* *Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Audit Completion Report 2018/19 from Mazars
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

Report Author	Contact Number
Jayne Dethick – Chief Accountant	01246 217078

AGIN 6(0725)2019 – Audit Completion Report

Appendix 1

Audit Completion Report

North East Derbyshire District Council

Year ending 31 March 2019

MAZARS

CONTENTS

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

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

MAZARS

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Audit and Corporate Governance Scrutiny Committee Members
North East Derbyshire District Council
District Council Offices
2013 Mill Lane
Wingerworth
Derbyshire
S42 6NG

July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

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

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

Yours faithfully

Mark Surridge
Mazars LLP

Mazars LLP – 45 Church Street, Birmingham B3 2RT
Tel: +44 (0) 121 232 9500 – Fax: +44 (0) 121 232 9501 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North East Derbyshire District Council ('the Council') for the year ended 31 March 2019, including the Group Financial Statements, and forms the basis for discussion at the Audit and Corporate Governance Scrutiny Committee meeting on 25 July 2019.

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

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

Significant Audit Risks:

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

Key Judgement Areas:

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

Status of our audit work

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

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

We will update the Audit and Corporate Governance Scrutiny Committee at its 25 July 2019 meeting on these and any other matters arising from the audit.

1. EXECUTIVE SUMMARY

Our audit approach

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

We confirm our planning assessment that Rykneld Homes Limited is not a significant component for group audit purposes.

Materiality

We set materiality at the planning stage of the audit at £1,489k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, was at to leave materiality at the same value. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Corporate Governance Scrutiny Committee), at the planning stage of the audit at £45k (3% of materiality), and again our final assessment has been to keep this threshold at the same value.

Materiality of specified items

Item	Rationale	Our judgement of materiality
Officers' remuneration	Sensitive to the reader of the accounts	Pay bandings: £5,000
Members allowances	Sensitive to the reader of the accounts	£79,000
Audit fee	As this also discloses fees for non-audit services and could be used to interpret potential conflicts of independence it is important that the amount disclosed is accurate.	£11,000

We set Group materiality at the same level as the Council's materiality.

1. EXECUTIVE SUMMARY

Key findings of our work

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

Opinion on the financial statements	We anticipate issuing, subject to completing the remaining audit procedures, an unqualified opinion, without modification, on the amended financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.
Value for Money conclusion	We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.
Whole of Government Accounts (WGA)	We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements
Wider powers	The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions from local electors.

Misstatements and internal control recommendations

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

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

2. SIGNIFICANT FINDINGS

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

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

Significant risks and key areas of management judgement

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

Significant risk

Management override of controls

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

How we addressed this risk

We addressed this risk by:

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

Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

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

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

Audit conclusion

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

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	
Valuation of property, plant and equipment, investment properties and assets held for sale	**Description of the risk** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.
	Relevant account balances Where relevant, Cost of Services (Expenditure) for any impairment charges Those items of Property, Plant and Equipment held at valuation being Council Dwellings and Other Land and Buildings as described in Note 10. Investment Properties
	How we addressed this risk There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work: • Reconciling valuations from the valuer's report had been recorded in the Fixed Asset Register • Testing a sample of assets valued during the year to valuation reports • Where material, testing the basis for impairment of assets, the value and correct accounting treatment • Critically assessing the Council's valuer's scope of work and methodology used • Considering the impact of any assets not valued during the year In our Audit Strategy Memorandum we also said we would test a sample of capital expenditure in 2018/19 where material to confirm that the additions are appropriately valued in the financial statements. This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, it formed part of our standard audit procedures.
	Audit conclusion Our work to date has not identified any material errors in the financial statements. Our work, however, is ongoing and we will provide an update to the Audit and Corporate Governance Scrutiny Committee on the day of the meeting.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk
Valuation of net defined pension liability

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

Relevant account balances

Net defined pension liability

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

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

In addition, we

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

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

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

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

2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgment

Provision for business rate appeals against the rating list

Description of the judgment

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

How we addressed this management judgement

We addressed this judgment through by:

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

Audit conclusion

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

Key area of management judgment

Minimum Revenue Provision (MRP)

Description of the judgment

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

How we addressed this management judgement

We addressed this judgment through performing the following audit work:

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

Audit conclusion

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

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

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

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

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff. We will meet with officers ahead of the 2019/20 audit to provide feedback on the detailed working papers and any improvement opportunities for other areas related to the accounts production and audit processes.

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

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

Wider responsibilities

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

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

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

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

We have not received any questions or objections.

3. INTERNAL CONTROL RECOMMENDATIONS

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

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

At this stage, based the audit work carried out, we have not identified any significant control deficiencies that we are required to report to you. We will update the Audit and Corporate Governance Scrutiny Committee at its 25 July 2019 meeting if there are any matters arising from that work that we are required to report.

4. SUMMARY OF MISSTATEMENTS

We set out below, based on the work completed to date, the material misstatements which have been amended in the final financial statements. There are no unadjusted misstatements above the level of our trivial threshold of £45k which we are required to report to you.

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

Material misstatements 2018/19

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

		Draft Financial Statements £'000	Amended Financial Statements £'000
1	**Balance Sheet - Net Pension Liability**	**54,376**	**56,709**
	Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	3,726	4,539
	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,258	1,268
	Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure: Re-measurement of net Defined Benefit Pension Liability	4,282	5,792
	The draft financial statements are to be amended to reflect updated figures as a result of a revised July 2019 actuarial valuation, taking into account assumptions for the potential impact of Guaranteed Minimum Pension equalisation and the outcome of the 'McCloud' judgement relating to the 2014 reforms of the LGPS benefit structure, and actual performance of the pension fund to 31 March 2019. There are also additional consequential changes to the Pension Fund note and primary statements, but none of these items impact the Council's useable balances carried forward.		

5. VALUE FOR MONEY CONCLUSION

Introduction

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

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

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

Our Approach

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

Matters kept under review

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

- Financial sustainability – the medium term financial position is uncertain (common to all bodies in the sector) and the demands/funding assumptions indicate a likely shortfall in future years. The Council is sighted on needing to be self-sufficient due to falling government grant levels.

Before drawing our conclusion, we have:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2019/20:
  - Revenue and Capital budgets and Medium Term Financial Plan
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Discussed the Transformation Programme arrangements with managers and reviewed progress monitoring reports
- Updated our overall risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the general findings from our audit work in other areas.

5. VALUE FOR MONEY CONCLUSION

Findings

The Council recognises the key issues are achieving efficiencies to balance its medium term financial plan, in the face of demand and cost pressures, and managing its general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. The Medium Term Financial Plan (MTFP) sets out the key assumptions on both income and expenditure as well as the savings required over the period. The 2018/19 Derbyshire Business Rates Pilot has provided a windfall of around £1.5m and the £4.5m 'Invest to Save' reserve provides the Council with a platform for the next 12-18 months important to deliver the transformation required to secure long term financial sustainability. The Transformation Programme is broad based and includes themes designed to strengthen the organisation's capacity and capability to escalate the delivery of the specific improvements and efficiencies required in the medium term. There are programme and project management arrangements in place and progress is being tracked. The identification and delivery of savings will continue to be challenging and further work is in hand to firm up specific saving plans for 2020/21 and beyond. The outcome of the Fair Funding review will help inform the Council's plans.

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

Our overall Value for Money conclusion

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

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
45 Church Street
Birmingham
B2 3RT

17 July 2019

Dear Sirs

North East Derbyshire District Council - audit for year ended 31 March 2019

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

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Use of the Work of the Valuer

I confirm an appropriately skilled Valuer has been engaged to examine the Council's (and Group) non-current assets held at fair value. I am satisfied the Valuer was given sufficient information and access to records to determine and evaluate the valuation of non-current assets.

Retirement benefits

I am satisfied that the actuarial assumptions informing the pensions liability are consistent with my knowledge of the Council and Group. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council 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 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.

Fraud and error

I acknowledge my responsibility as Chief Accountant for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council 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's and Group financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

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

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

Future commitments

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

Subsequent events

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

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

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

To the best of my knowledge there is nothing to indicate that the Council 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.

Unadjusted misstatements

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

Yours faithfully

Chief Accountant

APPENDIX B
DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of North East Derbyshire District Council

Report on the financial statements

Opinion

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

In our opinion, the financial statements:

give a true and fair view of the financial position of North East Derbyshire District Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

the Chief Accountant's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

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

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

We have nothing to report in this regard.

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Accountant for the financial statements

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

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

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

We are required by the Code of Audit Practice to report to you if:
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on North East Derbyshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North East Derbyshire District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

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

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

Responsibilities of the Council

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

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

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

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Use of the audit report

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

Certificate

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

Mark Surridge
For and on behalf of Mazars LLP

45 Church Street
Birmingham
B3 2RT

July 2019

APPENDIX C
INDEPENDENCE

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

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

CONTACT

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North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Implementation of Internal Audit Recommendations

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

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

1 Report Details

1.1 This report is to inform Members of the Audit Corporate Governance and Scrutiny Committee of the progress made in respect of implementing internal audit recommendations in order that action can be taken if progress is deemed unsatisfactory. The implementation of internal audit recommendations is also monitored quarterly at Directorate meetings.

1.2 Appendix 1 details the outstanding internal audit recommendations as at the end of April 2019. The front page of the Appendix provides an analysis of the number of recommendations made and implemented for the financial years 2016/17 – 2018/19.

1.3 The timely implementation of internal audit recommendations helps to ensure that the risk of fraud and error is reduced and that internal controls are operating effectively.

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit recommendations made and implemented 2016/17 – 2018/19
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	

Report Author	Contact Number
Jenny Williams	01246 217547

Appendix 1

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

Recommendations Made	**2016/17**	**2017/18**	**2018/19**
Number of High Priority	18	0	4
Number of Medium Priority	24	35	42
Number of Low priority	22	36	62
Total	**64**	**71**	**108**
Recommendations Implemented	**62**	**70**	**48**
High Recommendations Outstanding	0	0	2
Medium Recommendations Outstanding	1	1	9
Low Recommendations Outstanding	1	0	7
Not overdue yet	0	0	42
Total Overdue Recommendations	2	1	18
Percentage due implemented	**97%**	**99%**	**73%**

Audit	Recommendation Outstanding	Priority	Managers Comment
Discretionary Housing Payments – July 16	The DHP policy is reviewed as per section 4.1 of the 2013 policy and in line with Cabinet minute 679	Medium	The DHP policy will be reviewed. This will be completed by 30th June 2019 once billing and year end are complete.
Discretionary Housing Payments – July 16	A copy of the DHP policy is included within the Corporate Policies section of the internal NEDDC website.	Low	When the policy has been reviewed the new version will be placed on the website. The policy review is due to be completed by 30th June 2019 once billing and year end are complete.
Food Hygiene Enforcement – November 17	An overarching quality assurance process for food safety should be documented with consideration of FSA requirements and, as a minimum, an overview of the following areas: - Overview of the work programme process to ensure all premises are timely inspected and reviewed, - Monitoring progress of the planned intervention programme, - Peer review frequencies and requirements,	Medium	Due to other work priorities this work process is still ongoing and will be progressed during 2018/19 / 2019/20.

	- Adhoc reviews of inspections by EHO's to ensure availability and full completion of inspection / audit paperwork - Consideration of internal performance indicators including issuing of 'stickers' within 14 days.		
VAT – June 18	The correct VAT treatment for raising accounts for improvement notices under the Housing Act 2004 should be applied going forward (with any corrections made to historic accounts where applicable).	Low	Clarification needs to be sought from Environmental health before adjustments can be made. Audit have issued a memo to this effect to prompt communication between the two departments.
Money Laundering – June 18	In line with the policy requirements, a periodic review of the Money Laundering Policy is required to ensure that it adequately reflects current legislation. The review should include, but not be limited to: • Anti-Money Laundering Regulations 2017 -Current roles & responsibilities -Risk areas -Training requirements, schedule and documentation required	Medium	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People

	-Customer Due Diligence		
Money Laundering – June 18	A Compliance Officer should be formally appointed to oversee compliance, policies and procedures and ensure adhered to the new Money Laundering Regulations 2017.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	Once the Anti-Money Laundering policy has been updated and approved (as per R1 and R2 above), staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness of the policy going forward. The policy should also be made available to wider employees via the intranet.	Medium	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	Reporting of Money Laundering incidents and limits of cash that can be accepted needs to be consistent across all staff guidance and related policies/policy to ensure potential issues are promptly dealt with in line with AML	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People

	regulations.		
Money Laundering – June 18	A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them updated and refresh their knowledge.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	The Anti-Money Laundering Compliance Officer (as recommended as part of R2) should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular or large payments of cash with a view to highlighting and reporting any potential instances of money laundering.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Transport Follow up part 2 – July 18	The range of reports required from the Tranman system are considered to determine the most cost effective way of producing a functional library of	Medium	Standard system reports able to be utilised for some items; however, more complex\detailed reports may require Civica Tranman support or internal development via Crtstal Reporting.

	operational reports.		A further Internal Audit Review will be undertaken in 2019/20.
Transport Follow up part 2 – July 18	That a formal decision is made about progressing the interface between the Civica Financial and Tranman systems, potentially creating back office efficiencies	Low	Ongoing work being undertaken to establish interfaces; however, where resource demand and/or cost of establishing is too onerous, consideration will be given to not utilising the facility. A further Internal Audit Review will be undertaken in 2019/20.
Health and Safety – July 18	**Restated**: Ensure that health and safety training information is accurately reported to Members of the Health and Safety Committee at Bolsover District Council and to report regularly to Members of the Joint Consultative Group at North East Derbyshire District Council, as per R2 this should be made easier when records are held in one comprehensive and central record.	Medium	March 19 – on going checking of figures to ensure accurate reporting. Coding commenced for training courses to be added to HR21 to enable traceability of attendees. A further Internal Audit Review will be undertaken in 2019/20.
Health and Safety – July 18	**Restated:** Create one corporate, comprehensive and centrally held record and maintain for recording all health and safety training data which is	High	March 19 – Coding of courses to be added to HR21 has commenced with HR A further Internal Audit Review will be undertaken in 2019/20.

	regularly updated to continually provide an accurate position for all members of staff.		
Health and Safety – July 18	**Restated:** The Health and Safety Manager should ensure that work place inspection documentation is comprehensively maintained, revisited and updated to ensure the following are easily identified: • Location • Planned Inspection Date • Actual Inspection Date • Actions Identified Actions Implemented	High	March 19 – Process improved to empower managers to own workplace inspections for their area. H&S have devised a flowchart to outline the new format. Once approved by Joint Head of Service for Corporate Governance, a briefing note will be issued to managers outlining their responsibilities in this revised procedure. A further Internal Audit Review will be undertaken in 2019/20.
Non Domestic Rates – September 18	Arrears reports need to be analysed to determine what accounts can be reasonably expected to have a chance of recovery and a decision taken as to what can be done with historic debt	Medium	This is still ongoing and should be completed by the end of May 2019.
Commercial and Industrial Property Rents – November 18	To maximise rental income, rent valuations should be carried out and recorded for individual properties prior to tenancies being granted. Rents should be reviewed as part of the lease renewal process thereafter.	Medium	Rent reviews to be undertaken as part of the void property process prior to remarketing forming the basis of negotiation with prospective incoming tenants. Rent reviews to be undertaken and agreed with current tenant prior to the issue of Section 25 notice as part of the lease renewal process.

			Standardised records of Rental valuations to be included with each property Lease management file within Uniform for all new and renewed tenancies A further Internal Audit Review will be undertaken in 2019/20.
Commercial and Industrial Property Rents – November 18	To introduce a quality check process which will provide assurance and a management trail of evidence supporting a transparent allocation of tenancy.	Medium	To implement an authorisation process for the Estates Manager to approve lease applications. (i) To verify the integrity of new lettings prior to lease applications being submitted to Legal. (ii) To verify the integrity of lease renewals prior to section 25 applications being submitted to Legal Team. A further Internal Audit Review will be undertaken in 2019/20.
Commercial and Industrial Property Rents – November 18	To safeguard the Council against potential losses and to ensure lease requirements are being met, checks should be made to confirm that incoming tenants hold an appropriate level of insurance cover. Checks should be made on an annual basis thereafter.	Low	Copies of valid tenant liability insurance certificates to be requested in line with the check step process of new and existing tenants to be undertaken part of the lease renewal process. Records of expiry dates to be held within lease files on the Uniform System. Reminders to be issued to tenants during

			month 11 of cover period to provide copies of new certificates on the expiry A further Internal Audit Review will be undertaken in 2019/20.
Commercial and Industrial Property Rents – November 18	To formalise a process of periodic inspections to ensure sites / premises are used as intended.	Medium	A Formal Schedule of property inspections to be undertaken in tandem with current lease renewal process. A further Internal Audit Review will be undertaken in 2019/20.
Commercial and Industrial Property Rents – November 18	A retrospective exercise is undertaken to ensure that all current tenants have a lease assigned. Where this is not the case, follow up action is taken in conjunction with the Legal team.	Medium	As part of the document migration process onto Uniform all copies of agreements for land and property are being electronically scanned for storage with DMS. Any missing documentation will be identified and addressed as part of this process and appropriate remedial action taken. A further Internal Audit Review will be undertaken in 2019/20.

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Summary of Progress on the Annual Internal Audit Plan 2018/19 and 2019/20

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

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

1 Report Details

1.1 This report details the final reports to be issued in respect of the 2018/19 internal audit plan. Two audits (dog wardens and Shared Ownership (Joint Audit with RHL)) have been deferred to 2019/20. The 2019/20 Consortium Audit Plan for North East Derbyshire was agreed at the Audit and Corporate Governance Scrutiny Committee on the 18 April 2019. The Consortium Legal Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report to the Audit Committee of each Council on progress made in relation to their annual Audit Plan.

1.2 Attached, as Appendix 1, is a summary of reports issued between the 6 April 2019 and the 30 June 2019. 8 reports have been issued, 5 with substantial assurance and 3 with reasonable assurance.

1.3 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.

1.4 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.

1.5 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

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

:

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

1.7 Audits currently in progress:-

- Leisure (Financial)
- Business Continuity and Emergency Planning
- Safeguarding
- Corporate Targets
- Transformation Agenda

2 Conclusions and Reasons for Recommendation

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

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

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

5.2.1 None.

5.3 Human Resources Implications

5.3.1 None.

6 Recommendation

6.1 That the report be noted.

7 Decision Information

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	N/A
District Wards Affected	All

Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Summary of Internal Audit reports issued in respect of the 2018/19 and 2019/20 Internal Audit Plan 6 April 2019 to the 30 June 2019
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit and Corporate Governance Scrutiny Committee

Summary of Internal Audit Reports Issued 6 April 2019 – 30 June 2019

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
	2018/19 Plan						
N026	Planning Fees	To ensure that all planning fees are invoiced and collected promptly	Substantial	11/4/19	3/5/19	4 (1M 3L)	4
N027	Fly tipping (back office systems)	To ensure that there are efficient systems for logging fly tipping and allocating jobs	Reasonable	18/4/19	13/5/19	14 (1H 3M 10L)	Note 1
N028	Joint Venture Company Northwood Group Ltd	To ensure that the Governance arrangements in respect of the company are strong and that performance is monitored	Substantial	24/4/19	16/5/19	4L	4

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
N029	Section 106	To ensure that monies are collected and spent in a timely and appropriate fashion	Reasonable	30/4/19	22/5/19	4 2M 2L)	4
N030	Disaster Recovery	To ensure that there are adequate disaster recovery procedures in place	Substantial	30/4/19	22/5/19	1L	1
N031	Insurance	To ensure that the Council's insurance arrangements are fit for purpose	Substantial	24/6/19	15/7/19	3L	3
	2019/20 Plan						
N001	Procurement	To ensure that EU Regs and the Council's Financial Regulations are complied with	Reasonable	25/6/19	10/6/19	6 (3N 3L)	6
N002	Cash and Bank	To ensure that procedures are operating effectively	Substantial	14/6/19	5/7/19	1L	1

Note 1 – response not received at time of writing report

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Internal Audit Consortium 2018/19 Annual Report to North East Derbyshire District Council

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

The purpose of this report is to:

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

1 Report Details

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

Assurance Level	Number of Reports 2018/19	Percentage 2018/19	Number of Reports 2017/18
Substantial	16	52%	14
Reasonable	13	42%	10
Limited	2	6%	0
Inadequate	0	0	0
N/A	0	0	1
Total	**31**	**100%**	**25**

1.2 A definition of the above control levels is shown in Appendix 1.

1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.

1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2018/19		2019/20
	Plan	**Actual**	**Plan**
Cost per Audit Day	£287	£256	£285
Percentage Plan Completed (NEDDC)	96%	94%*	96%
Sickness Absence (Days per Employee)	8.0 (Corporate Trigger)	2.1	8.0
Customer Satisfaction Score (NEDDC)	85%	94%	85%
To issue internal audit reports within 10 days of the close out meeting. (NEDDC)	90%	100%	90%
Number/proportion of audits completed within time allocation (NEDDC)	80%	86%	80%
% 2018/19 Agreed recommendations implemented (NEDDC)	80%	79%	80%
Quarterly reporting to Audit Committee	100%	100%	100%

*The audits not completed are dog warden service and shared ownership (joint with RHL). These audits will be completed in 2019/20.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

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

1.6 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2018/19.

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

Overall 94% of the areas audited received substantial or reasonable assurance demonstrating that there are effective systems of governance, risk management and control in place.

There were 2 Limited Assurance reports issued during the year (Health and Safety and Commercial and Industrial Property Rents). Management have agreed the recommendations and have either implemented them or actively working towards implementing them.

1.8 Members will also be aware of risk areas that are detailed on the Council's Strategic Risk Register i.e.:-

- Changes in Legislation/impact of Brexit
- Budget Challenges
- Operational service failure
- Staff morale and recruitment difficulties
- Delivery of major initiatives / projects
- Emergency Planning and Business Continuity Arrangements
- Cyber crime
- Engaging with local communities and partners
- Data protection failures
- Governance arrangements
- Safeguarding arrangements
- The local plan is found to be unsound
- Impact of HS2

1.9 These risks are all managed corporately and controls put in place to mitigate risk where possible.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

1.10 The internal control issues arising from audits completed in the year were reported to the Joint Head of Service (Finance and Resources) for consideration during the preparation of the Annual Governance Statement. In respect of the 2 limited reports (Health and Safety and Commercial and Industrial Property Rents) it was felt that sufficient progress had already been made to implement the recommendations negating the need to include these on the Annual Governance Statement as significant issues.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

1.11 The Internal Audit Plan for 2018/19 was approved by the Audit and Corporate Governance Scrutiny Committee on the 12th April 2018. Overall 94% of planned audits were completed and reported at the time of writing this report. The review of the dog warden service and the shared ownership scheme (joint audit with Rykneld Homes) have been deferred to 2019/20.

1.12 The plan would have been fully completed however the Consortium was without a Senior Auditor for 4 months and 2 Auditors also left during the year leaving another shortfall of a couple of months.

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

1.13 During 2018/19 a self - assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.

1.14 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The action plan has now been completed. An improvement spreadsheet has been introduced to record further improvement ideas.

1.15 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Joint Head of Service (Finance and Resources) but has a direct and unrestricted access to senior management and the Audit and Corporate Governance Scrutiny Committee.

1.16 Quality control procedures have been established within the internal audit consortium as follows:

- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.

- Client Officer Views – A survey form has been issued to the client officer seeking her views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2020.

1.17 The above quality control procedures have ensured conformance with the PSIAS.

1.18 Based on the customer satisfaction survey forms returned, the average score was 94% for customer satisfaction during 2018/19 (2017/18 result 94%).

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

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

1.20 The Audit Charter was last reported to and approved by the Audit and Corporate Governance Scrutiny Committee in July 2018. A further review of the Charter is scheduled for the summer of 2020.

1.21 Based on the information provided in this report on the completion of the 2018/19 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

2.1 To present to Members the annual report for the Internal Audit Consortium in respect of North East Derbyshire District Council for 2018/19.

2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

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

7 Decision Information

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

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

Appendix 1

North East Derbyshire District Council – Internal Audit Reports Issued 2018/19

Ref	Report Title	Assurance Level 2018/19	Opinion Previous Audit
1	System Security	Substantial	Substantial
2	Land Charges	Substantial	Good
3	VAT	Reasonable	Good
4	Money Laundering	Reasonable	Satisfactory
5	Recruitment and Selection	Reasonable	Marginal
6	Property Services Compliance	Reasonable	New – N/A
7	Transport Follow up Part 2	Reasonable	Marginal
8	Health and Safety	Limited	Marginal
9	Cyber Security	Substantial	New - N/A
10	ICT Inventory	Reasonable	2008/09
11	Non Domestic Rates	Reasonable	Substantial
12	Leisure Services Operations	Substantial	Substantial
13	Commercial and Industrial Property Rents	Limited	Marginal
14	Council Tax	Substantial	Substantial
15	Pest Control	Reasonable	Satisfactory
16	FOI / Environmental Regulations	Substantial	Satisfactory
17	Payroll	Substantial	Substantial
18	Coney Green Business Centre	Reasonable	Marginal
19	Treasury Management	Substantial	Substantial
20	Expenses and Allowances	Reasonable	Good
21	Creditors	Substantial	Substantial
22	Commercial Waste	Substantial	Good
23	Housing Benefits	Substantial	Reasonable
24	Premises and Personal Licences	Reasonable	Satisfactory
25	Sundry Debtors	Substantial	Reasonable
26	Planning Fees	Substantial	Reasonable
27	Fly tipping (back office systems)	Reasonable	N/A
28	JVC Northwood Group Ltd	Substantial	New
29	Section 106	Reasonable	Satisfactory
30	Disaster Recovery	Substantial	Satisfactory
31	I nsurance	Substantial	Good

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

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

North East Derbyshire District Council – Statement of Accounts 2018/19

Report of the Chief Accountant

This report is public

Purpose of the Report

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

1 Report Details

1.1 The outturn position for 2018/19 was reported to Cabinet in June and is presented to this Committee for information at agenda item 8(b). The External Audit team, Mazars LLP, has been undertaking work on the Statement of Accounts throughout June and July. The outcomes of the external audit work are set out in the Audit Completion Report presented by Mazars under Item 6 of this agenda.

1.2 Attached as **Appendix 1** to this report is the Council's Audited Statement of Accounts in respect of 2018/19. The External Auditor's work is substantially complete however there may be some changes still requested by the External Auditors following completion which, if required, will be reported verbally at the Committee. However, it is anticipated that there will be no material changes between the version attached and the final Statement of Accounts for 2018/19.

1.4 Given the possibility that issues raised either at today's meeting or subsequently may require the Statement of Accounts to be amended it is recommended that delegated powers be given to the Chief Financial Officer in consultation with the Chair or Deputy Chair of this Committee to agree any final changes to the Council's Statement of Accounts 2018/19. It should be noted that the only changes that will be made under these delegated powers will relate to amendments agreed with the Council's external auditors Mazars.

2 Conclusions and Reasons for Recommendation

2.1 The external audit process in respect of 2018/19 is substantially complete and, subject to the satisfactory completion of outstanding work, is expected to receive an unqualified audit opinion. The outcome of this review is summarised in the External Auditors Audit Completion Report (Item 6).

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

4.1 There are no alternative options for consideration.

5 Implications

5.1 Finance and Risk Implications

5.1.1 There are no additional financial implications arising from this report.

5.2 Legal Implications including Data Protection

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

5.3 Human Resources Implications

5.3.1 There are no Human Resource implications arising from this report.

6 Recommendations

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

6.2 That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Deputy Chair of the Audit and Corporate Governance Scrutiny Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors Mazars to ensure completion of the Statement of Accounts by 31 July 2019.

7 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: *BDC:* *Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC:* *Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A

Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	**Title**
1	North East Derbyshire District Council – Statement of Accounts 2018/19
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	**Contact Number**
Jayne Dethick – Chief Accountant	(01246) 217078

AGIN8(a)(0725)2019 – Statement of Accounts

North East Derbyshire District Council

STATEMENT OF ACCOUNTS

2018/19

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NARRATIVE REPORT

Introduction

North East Derbyshire District Council covers an area of 100 square miles, with a population of just over 100,000 people and operates alongside Derbyshire County Council in providing local authority services to our residents. The Council has 388 employees. This report sets out how the Council has served our community during the 2018/19 financial year outlining both our service delivery and financial performance. Whilst the main emphasis is on the previous financial year (2018/19), the report also covers the ability of the Council to continue to provide sustainable services which meet local needs, and outlines how we work in partnership to enhance the prosperity of the communities we serve. With respect to service delivery a key partnership is the Strategic Alliance with Bolsover District Council which commenced in April 2011 leading to progressively greater integration of service delivery between the two authorities.

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

The Council's Performance and Outcomes for Local Residents

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

The Council's vision is for the district to be a place that is clean and attractive, a place where people are proud to live and work, where they will prosper and are safe, happy and healthy.

The Council has four strategic aims designed to deliver this vision through priorities that cover the life of the current Corporate Plan. In order to better understand how the Council has performed during the course of the current financial year, the table below sets out headline progress against the Council's agreed Strategic Aims and Priorities. This is the last year of the Corporate Plan 2015-19 and excellent progress has been made against this plan with most targets being achieved. Some of the targets will roll over into 2019/20 and this period will be used to develop our new corporate plan following local elections. A summary of progress against the Corporate Plan is provided below: Further details are provided in the quarterly performance reports available on the Council's website.

NARRATIVE REPORT

Strategic Aim / Priorities	Progress Against Key Targets
Unlocking Our Growth Potential • Supporting enterprise • Unlocking development potential • Enabling housing growth	• The Council continues to work with partners to ensure the regeneration of the Avenue site, former Coalite site and former Biwater site to provide housing and commercial land / development opportunities. • The Planning Development Management Team is exceeding national targets with processing planning applications. • A new timetable for adoption of the Local Plan was agreed with the Government and the Council is on target to achieve that. The Plan has been examined and the Council is working with the Inspector to progress to completion. • External funding continues to be sought to progress infrastructure, business support and return to work programmes. • Business growth (as measured by gross NNDR) has increased by 3.4% over the corporate plan period • Grants totalling £21,921 have been paid this year from the Council's Business Growth Fund, helping stimulate growth and create jobs in the local economy. • 68.82 FTE jobs have been created through BNED LEADER funding over the course of the corporate plan.
Providing our Customers with Excellent Services • Increasing customer confidence and satisfaction with our services • Improving customer contact and access to information • Championing equality and diversity • Supporting vulnerable and disadvantaged people • Working with partners to address	• Customer satisfaction levels are good and the Council holds Customer Services Excellence accreditation. • The Council provides customer contact centres, supported by telephony and internet access to services. • The Council invests significant funding in the Voluntary and Community Services sector and

poverty • Providing good quality social housing	in our Partnership Team to provide effective support to vulnerable /disadvantaged people. • A new single equality scheme for the period 2019-2023 has been produced and an evaluation document published for the 2015-2019 scheme. The Council has produced Transgender guidance for its staff in leisure services and continue to promote reporting of hate incidents. • Processing times for new Housing Benefit and Council Tax Support claims were quicker than the target • The Council is investing £9m a year in upgrading Council housing which is part of our wider approach to facilitate good quality housing across all tenures.
Supporting our Communities to be Healthier, Safer, Cleaner and Greener • Contributing to improving health and well being • Increasing participation in sport and leisure activities • Working with partners to reduce crime and anti-social behaviour • Increasing recycling • Ensuring a high standard of environmental maintenance and cleanliness • Developing attractive neighbourhoods	• Participation in sports/recreation remains high and has exceeded target due to improved facilities and leisure offer. • In conjunction with partners we have programmes in place to promote active and healthy lifestyles, to tackle childhood obesity and anti social behaviour. • Combined recycling/composting rates is predicted to reach 46.3% (Target 49% by March 2019) • The annual litter cleanliness target of 96% has been narrowly missed at 94.85% and the dog fouling cleanliness target of 98% has been exceeded (99.55%)
Transforming Our Organisation • Supporting and engaging with employees • Making the best use of assets • Demonstrating good governance • Ensuring financial sustainability and increasing revenue streams • Transforming services through	• The Council has an effective modern, ICT infrastructure providing cost effective services to both residents and employees. • The Council continues to make transformation savings and has a new plan fit for the future. • The Council has appropriate

the use of technology • Actively engaging with partners to benefit the community • Maximising opportunities with Bolsover District Council through the Strategic Alliance	Governance / Management arrangements in place to ensure accountability and value for money. • In 2018/19 a total of 2,741 online transactions were carried out with 1,653 residents now having online accounts. Webchat continues to be popular.

The successful achievement of the Council's agreed priorities and targets is key to both ensuring effective delivery of services to local residents, whilst providing a sustainable future for the Council itself as an organisation.

While the above table is invariably a 'snapshot' which cannot fully cover the range of Council activities and outcomes, it is consistent with the conclusion that during 2018/19 the Council provided a wide range of value for money services to local residents. It is particularly pleasing to note that we have made continued progress in delivering both our Economic Growth and Transformation agendas and in progressing the aims of our Corporate Plan. These actions are key to growing income streams to fund services, to helping secure the wider economic prosperity of the District, to providing cost effective and efficient services and to offering residents a range of accessible customer focussed services. Alongside its responsibility for the direct provision of a range of services the Council recognises the role of a wide range of other organisations in promoting the well-being of our community. Accordingly it works with a range of partners to ensure that residents benefit from good services from a wide range of public sector providers. Our performance management arrangements mean we are well placed to identify and address areas of concern before they escalate into matters which could undermine service delivery. On the basis of successful progress against the Corporate Plan during its four year period, I am of the view that the Council can continue to successfully deliver against its Strategic Aims and Priorities over 2019/20 when a new plan will be developed and published.

As part of the Performance Management Framework we systematically collect details of complaints and compliments. This information allows us both to address any specific issues that have arisen and to better understand where services are in need of improvement. We have in place a formal Customer Service Code of Practice and Standards and during the year retained accreditation for Customer Service Excellence. On the basis of the information collected by the Council our services including Customer Services and the Contact Centre, Environmental Health and Leisure received good satisfaction ratings.

The longer term sustainability of both our service delivery and the Council's financial position are protected by Corporate, Service and Financial Plans. These are supported by a Risk Management Framework which identifies and mitigates the strategic and operational risks which could hinder or prevent our plans being achieved. Although the Council takes steps to manage and mitigate the risks it faces it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key Strategic Risks recorded in the Councils risk register comprise:

- The requirement to adapt to legislative change which may require additional or enhanced services, may reduce the financial resources available to the Council, or may impact on our ability to provide services which meet local needs.
- In common with the wider public sector we are required to manage the ongoing impact of the austerity agenda. These pressures need to be carefully managed to mitigate the impact on service provision, to ensure we balance the budget and to maintain effective governance and internal control arrangements.
- Our ability to attract and retain the staff required to operate an effective Council and the impact of the financial environment or external circumstances having an adverse effect on staff morale.
- The direct or indirect impact of wider factors such as economic recession upon local communities, the loss of a major employer, or an Emergency Plan / Business continuity / Cyber Crime issue.
- The uncertainty surrounding the implementation of Brexit will continue to create uncertainties concerning national economic conditions, legislative change and whether European Union funding streams will be replaced.
- The risk of operational service failure which has an impact on the local community and the Council's ability to secure its corporate objectives.
- Failure to have robust comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.
- The local plan isn't found sound at independent examination
- Impact of HS2 and the electrification of the Midland Main Line on the environment, heritage, communities and businesses.

There is an embedded culture of risk management across the Council which will facilitate the effective identification and management of risk to help mitigate the danger that those risks which materialise may prevent the achievement of Strategic Aims / Priorities or Key Targets.

Financial Performance

General Fund

The Council's main revenue account is known as the General Fund. The costs of all services (excluding Council Housing) are charged against it. The General Fund budget is supported by the council tax which for 2018/19 was increased by 1.99%, with the Band D Council Tax charge increasing to £186.39 for the year.

During 2018/19, the Council continued its established approach of robust financial management to help maintain high quality services for our residents. The original budget was set in February 2018 with a savings target of £0.434m to be met from areas including repayment of Invest to Save borrowing, Strategic Alliance secondments, transformation savings, property rationalisation and income generation.

During the year the following major issues impacted upon the budget:

- Efficiencies generated by the Council during the year through robust financial management have helped offset the impact of continued reductions in Government funding.
- The Derbyshire Business Rates Pool was awarded “pilot” status in 2018/19, allowing 100% business rates retention for that year. This has secured additional income from economic growth, although this income is subject to fluctuation so brings with it a higher level of risk.
- Across the Council, departments have continued to review services, re-engineered processes and procedures in order to generate savings.
- Opportunities for further joint working with Bolsover District Council our Strategic Alliance partner were agreed often in response to opportunities arising from the vacancy management process.
- A vacancy management process has been maintained throughout the year, accompanied by careful management of all non-employee costs.

As a result of the above actions, effective budget monitoring and a Cabinet led budget working group, the necessary savings have been achieved whilst minimising the impact upon service delivery. By the end of the year we had achieved our savings target of £0.434m, and made an additional contribution to the Invest to Save Reserve of £0.505m. Although this represents a significant financial gain it does need to be recognised that much of this benefit arose from ‘one off’ savings, rather than from a reduction in the underlying level of expenditure. However, this enhancement in the level of balances does put the Council in a postion to invest in income generation or service reconfiguration to offset a cumulative savings target of £7.4m up to the period to March 2023.

As detailed below, the net cost of services outturn position of £9.829m was £0.569m lower than the budget forecast:

	Current Budget 2018/19 £000	Outturn 2018/19 £000	Variance £000
People Directorate	8,146	7,706	(440)
Place Directorate	2,252	2,123	(129)
Net Cost of Services	**10,398**	**9,829**	**(569)**

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

Effective financial management over the past few years has enabled the Council to gradually increase its level of General Fund balances to £2m which is considered a realistic level. Against the background of ongoing reductions in the level of Government funding it is crucial that the Council continues to maintain robust budgetary control and secure its ongoing savings targets. The Invest to Save balances will be required to provide the initial investment to generate income growth and fund reconfiguration of services necessary for us to meet our savings targets over the coming years.

The Housing Revenue Account (HRA)

The Housing Revenue Account is a legally separate account which ring fences the income from council house rents. This income is required to meet the costs of managing and maintaining the Council's housing stock. The Council continues to operate in accordance with the Government rent restructuring criteria which required a decrease in rents of 1% for our tenants in 2018/19.

The management of the Council's housing is undertaken by Rykneld Homes Limited an Arms Length Management Organisation (ALMO). Rykneld Homes Limited is funded by the Council's Housing Revenue Account through the payment of a Management Fee which for 2018/19 was agreed at £9.902m.

Alongside the housing investment programme being delivered by Rykneld Homes, the Council has continued to support the drive to improve the council stock with a strong commitment to both new build, together with an appropriate level of investment in existing properties.

The HRA net cost of services outturn position was £0.144m better than anticipated, as detailed below. The HRA reserves remain at £3m as at 31 March 2019. Strong financial performance during the year enables a contribution of £1.075m to the HRA Capital Investment Reserve which will be reinvested in the stock. Again these are considered to be adequate rather than a generous level of financial reserves in the light of the risks facing the Council's HRA.

	Current Budget 2018/19	Outturn 2018/19	Variance
	£000	£000	£000
Housing Revenue Account	4,516	4,372	(144)
Net Cost of Services	**4,516**	**4,372**	**(144)**

Capital expenditure and resources

The Council has invested £14.722m on capital schemes in the year. This is split between the Housing Revenue Account (£13.021m) and General Fund capital expenditure (£1.701m).

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

- Council housing stock investment programme of £9.719m;
- The demolition and rebuilding of properties at Alma Road, North Wingfield of £1.780m;
- Stock Purchase scheme of £0.927m;
- Acquisitions and Disposal scheme of £0.181m;
- Private Sector Disabled Facilities Grants of £0.374m;
- Vehicle Replacement £0.315m;
- Other capital schemes of £1.426m

The capital programme was fully financed in the year utilising grants (£1.922m), prudential borrowing (£1.246m), major repairs and development reserves (£10.430m), revenue contributions (£0.090m) and usable capital receipts from asset sales (£1.034m).

Treasury Management

At 31 March 2019, the Council has a total capital financing requirement (Council debt) of £183.924m. This shows a net decrease in the year of £2.656m. The net decrease reflects prudential borrowing of £1.246m offset by debt repayments of £3.902m. The prudential borrowing relates to the purchase of vehicles (£0.315m), Alma Road, North Wingfield new build scheme (£0.908m) and Pine View, Danesmoor scheme (£0.023m), which has enabled the continuation of building and purchase of social housing. The level of debt repayment reflects the Councils commitment to repay the approved scheduled debt repayments in the year (£3.902m).

To meet the capital financing requirement the Council has external borrowing from the Public Works Loans Board (£150.846m). The remainder is effectively financed from utilising the Council's own reserves and balances (£33.078m). During the year the Council repaid £3.303m to the PWLB as loans matured.

The Council has a general policy of not utilising leasing arrangements to finance capital acquisitions, as other means of finance are considered to be more cost effective. No new leasing arrangements were entered into 2018/19, so no leasing liabilities remain.

Assets

During 2018/19 the Council completed the sale of 9 shared ownership properties, the shared ownership percentages sold ranged from 25% to 60% of the property. The Council also sold 77 council dwellings under the Right to Buy Legislation, 2 dwellings on the open market and demolished 25 dwellings, these were offset by the addition of 48 dwellings for affordable rent to the HRA stock and 1 shared ownership property to Investment Properties.

While Assets have been revalued during the year the changes to asset values detailed in the accounts have no impact on the Council Tax Payer or Housing Tenants but show as an increase or reduction in the net worth on the Council's Balance Sheet.

Reserves and Balances

The Council holds usable reserves and balances totalling £53.504m. These include general reserves of £5.000m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £1.293m that relates to unapplied capital grants, earmarked general fund revenue reserves of £11.801m and earmarked HRA reserves of £29.675m. The Council also has £5.559m of usable capital receipts at 31 March 2019. It should be noted that many of these resources are committed to fund future service delivery or spend is subject to specifc grant conditions. Reserves are necessary to enable sound financial management and to safeguard service delivery at a time when our revenues streams and expenditure commitments are increasingly volatile.

Collection Fund

<u>Business Rates</u>

As part of the Business Rates Retention Scheme, all local authorities were given the opportunity to work with neighbouring authorities to establish a business rates pool. Being part of a pool allows member authorities to be treated as a single authority for the purpose of certain calculations under the scheme. With effect from 1 April 2015, the Council became a member of the Derbyshire Pool which is administered by Derby City Council. The advantage of the pool is the opportunity to generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

In 2018/19 the Derbyshire Pool was awarded "pilot" status, allowing 100% retention of all business rates growth during the year. The growth received by the Council in the year was £1.830m.This has been earmarked in the NNDR Growth reserve to mitigate against both the volatility of business rates growth and the proposed national reset in 2020.

In 2018/19, £16.166m of Business Rates income was raised. An anticipated deficit of £1.218m was forecast in the previous year. During the year £17.308m was paid on account with the in year surplus of £0.897m and opening deficit balance of £1.985m due to be redistributed in 2019/20 and 2020/21. The Council's share of the deficit is £0.467m.

Council Tax

In 2018/19 £56.870m of Council Tax Income was raised. After taking account of appropriate charges to the Collection Fund the balance (£56.348m) is shared between the precepting authorities. In 2018/19, £55.961m was precepted on the Collection Fund account and a further £0.961m was paid out in relation to previous years surpluses. This leaves a deficit in year of £0.387m which when added to the opening balance on the fund (£1.877m) leaves a surplus on the fund of £1.490m at 31 March 2019. The surplus will be distributed to the precept authorities during 2019/20 and 2020/21. The Council's share of the surplus is £0.243m.

Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council has seen an increase in the liabilities of £12.737m and an increase in the fair value of assets of £6.332m. The fund shows a net increase in the pension liability of the Council by £6.405m to £54.376m at 31 March 2019.

Financial Planning

In line with good practice the Council plans its finances over the medium term (four years). The Council regularly reviews its spending plans in light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable over the longer term. The Council is mindful that legislative changes and the end of the current national financial settlement in 2019/20 may have a significant impact both upon its financial position and service delivery in future years. While the Council faces significant financial challenges over the next four years, we have a good track record of delivering efficiencies, an experienced and well qualified management team, robust governance arrangements and a workforce committed to delivering good quality services. These key assets together with a combination of economic growth and service transformation, supported by a reasonable level of financial reserves to fund investment in service reconfiguration means that the Council is well placed to meet these challenges. These are key factors that support my view that the Council can continue to perform effectively, whilst ensuring that it maintains a balanced budget.

General Fund

When setting its budget in February 2019, the Council had a shortfall of £0.871m in respect of 2019/20, with an estimated cumulative shortfall of £7.4m by 2022/23. As a first step in balancing its budget the Council agreed a Council Tax increase of 1.99%, generating an additional £0.101m of revenue. A range of other potential savings have been identified and officers are currently in the process of developing these options. Officers are of the view that the budget shortfall in respect of the current financial year can be addressed, however, it is crucial that the savings target is met by underlying reductions in the level of expenditure. The current plans include the following:

- The Council has recently refreshed the transformation programme to ensure that we continue to meet customer expectations whilst exploring ways to secure further savings.
- Seek to secure the income growth associated with increases in the number of homes and business premises operating in the District.
- Continue to identify asset refurbishment schemes as part of the wider strategy of optimising the use of Council assets.
- Utilise capital receipts to reduce borrowing costs in order to generate savings on interest and principal repayments.
- Continue with vacancy management arrangements with continued careful management of non employee costs to ensure that appropriate use is made of ‘natural wastage’ as a means to ensure the necessary level of financial savings.

Housing Revenue Account (HRA)

The Council continues to operate its HRA within the context of a 30 year Business Plan which shows the Council’s housing operation to be sustainable over that period. The Council is working with Rykneld Homes to ensure that properties continue to be maintained to a decent standard and provide affordable accommodation with a secure tenure which meets the housing needs of local residents. As part of this programme the Council is seeking both to maintain a high standard of housing services, whilst investing in maintaining and refurbishing existing stock. The Council anticipates that it will continue to fund investment into the existing stock at a level of £9m a year over the period of the current Medium Term Financial Plan (MTFP).

Management Arrangements

The Council has fully embedded the Senior Management restructure during 2018/19 and the new structure is reflected in the Expenditure and Funding Analysis note. There have been some changes in the Strategic Alliance Management Team during the year with 3 Heads of Service leaving the Council. Interim arrangements have been put in place to ensure the effective running of services whilst recruitment takes place.

One of the posts currently vacant is the Head of Finance and Resources. Interim arrangements have been put in place with the Chief Accountant fulfilling the role of Chief Financial Officer whilst the post is vacant. The revised arrangements remain fully compliant with good practice as set out in CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Accountant is professionally qualified, is a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

Summary

The past year has been another challenging period in financial terms for the Council but there is a clear awareness throughout the Council of the challenges that the authority is facing. A strong and effective culture of financial management across the Council has enabled us to deliver both a balanced financial outturn together with a range of measures which have reduced the underlying level of expenditure whilst maintaining standards of service. We will continue to work to ensure that this progress is maintained in 2019/20 and future years against the background of a more challenging financial environment for local government. As a Council we are determined to continue to work with and to meet the needs and expectations of local residents, our tenants and our key partners.

Finally, we realise the value of closing our accounts promptly to provide up to date financial information on which to base our future plans. It needs, however, to be recognised that preparing these accounts becomes increasingly more complex each year as the requirements of good accounting practice continue to grow more stringent. The staff involved in this process, deserve credit for ensuring that these financial statements have been produced in a timely and professional manner. The Council has successfully prepared its accounts for audit by 21 May 2019 in line with the statutory deadline. Early closure also provides the finance team with the opportunity to move the focus earlier in the year from accounts closure to addressing the requirement to maintain service levels, promote economic growth and manage transformation to ensure our future financial sustainability.

Jayne Dethick CPFA

Chief Accountant and S151 Officer

NARRATIVE REPORT

Introducing the Accounts of North East Derbyshire District Council

The Legal Basis

The maintenance, preparation and format of the Council's accounts are governed by statute and recognised good practice. They follow the requirements for the publication of financial information governing local authorities. The Accounts are set out in order to show the day to day income and expenditure and to highlight changes to the financial position of the Council during the year.

The document has several statements; these are explained in the summary below:

A Narrative Report (Pages 1-15)

This sets out an overview of the Council's financial position as at 31 March 2019 and its financial performance during the year.

Introductory Statements and Notes (Pages 16-45)

This section includes:

Statement of Responsibilities for the Statement of Accounts (Page 17)
Annual Governance Statement (Page 18)

This statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.

Accounting Policies (Pages 19-41)

The Accounting Policies sets out the basis on which the figures have been compiled into the various accounts which comprise this document.

General Notes (Pages 42-45)

This section identifies any issues that may be useful to the reader prior to reading the Financial Statements.

Movement in Reserves Statement (Pages 47-48)

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

Comprehensive Income and Expenditure Statement (Page 49)

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months.

The Balance Sheet (Page 50)

This statement details the financial position of the Council as at 31st March 2019; its assets, liabilities, balances and reserves.

The Cash Flow Statement (Page 51)

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes to the Core Single Entity Financial Statements (Pages 52-117)

The notes provide explanations of the figures in the main financial statements. Where figures shown in the financial statements are expanded in detail, a cross reference is made to the statement in which the explanatory note is provided.

Expenditure and Funding Analysis Statement Notes (Pages 53-56)
Movement in Reserves Statement Notes (Pages 57-58)
Comprehensive Income and Expenditure Statement Notes (Pages 59-63)
Balance Sheet Notes (Pages 64-96)
Cash Flow Statement Notes (Pages 97-98)
Other Notes (Pages 99-117)

Supplementary Single Entity Financial Statements (Pages 118-129)

These consist of the Housing Revenue Account and the Collection Fund.

The Housing Revenue Account (HRA) (Pages 119-125)

This account reflects the statutory obligation to maintain a revenue account for local authority housing provision. It includes the debit and credit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The HRA is incorporated into the Comprehensive Income and Expenditure Statement.

HRA Income and Expenditure Statement (Page 119)

This account shows in detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

Movement on Housing Revenue Account Statement (Page 120)

This statement shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

The Collection Fund (Pages 126-129)

This statement details income received by the fund from council taxpayers and business ratepayers.
Council Tax Precept payments are made from the fund to North East Derbyshire District Council, Derbyshire County Council, Derbyshire Police Authority and the Derbyshire Fire Authority.

NNDR payments are made to the Government, North East Derbyshire District Council, Derbyshire County Council and Derbyshire Fire Authority.

Group Accounts (Pages 130-140)

The Council established an Arms Length Management Organisation (ALMO) Rykneld Homes Limited from 1 April 2007 to manage the Council's housing dwellings and associated capital programme. The ALMO is a wholly owned subsidiary of the Council. Local authorities with a subsidiary are required to prepare group accounts in addition to the single entity financial statements (Accounts and Audit Regulations 2015). The group accounts reflect the transactions of both organisations in one set of statements. These comprise of the following key financial statements:-

- **Group Movement in Reserves Statement**
- **Group Comprehensive Income and Expenditure Statement**
- **Group Balance Sheet**
- **Group Cash Flow Statement**
- **Notes to the Group Accounts**

Glossary (Pages 141-147)

This provides an explanation of some of the terms used within the Statement of Accounts.

INTRODUCTORY STATEMENTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Resources.

The Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Council is required to approve the Statement of Accounts.

The Head of Finance and Resources Responsibilities

The Head of Finance and Resources is responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ("the Code"), is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2019.

The Head of Finance and Resources post is currently vacant. Interim arrangements have been put in place with the Chief Accountant fulfilling the role of Chief Financial Officer whilst the post is vacant.

In preparing this Statement of Accounts, I have:

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

I have also:

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

I can confirm that I certify these accounts to give a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Signed by:

Jayne Dethick CPFA

Date: 21/5/19

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is published separately, please see the Council's website for more information.

ACCOUNTING POLICIES

Accounting Policies and General Notes

This section explains the accounting policies applied in producing the Statement of Accounts and identifies any notes that may be useful to the reader prior to reading the Financial Statements.

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS).

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

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

The Council has followed the requirements of International Accounting Standard (IAS) 1 in preparing the Statement of Accounts. Its objectives are to ensure that for all material items the Council:

- Adopts accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view;
- Reviews the accounting policies regularly to ensure that they remain appropriate, and changes them when a new policy becomes more appropriate;
- Ensures that sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

The general principles adopted in compiling the accounts are those set out by CIPFA in the Code of Practice on Local Authority Accounting in the United Kingdom, which is recognised by statute as representing proper accounting practice. In addition the Local Authority Accounting Panel Standards Committee periodically issue bulletins on accounting practice. These accounting policies conform with those principles, which are applicable to Local Authorities.

2 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 primacy of legislative requirements.

3 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 fees, charges and rents due from customers are recognised when the Council transfers the risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

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

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

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

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

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. 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 to do this is not available then a best estimate basis is adopted.

4 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 mature within three months and are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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.

5 Charge to revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation costs are therefore replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council. The Council has decided that for 2018/19 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of £200,000 per year until the debt is extinguished. Any prudential borrowing for the General Fund is repaid based on the life of the asset.

ACCOUNTING POLICIES

6 Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

NNDR - Impairment of Appeals
The Council has commissioned an independent assessment at 31 March 2018 of the outstanding appeals lodged with the Valuation Office. The assessment has reviewed every individual appeal and estimate of 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.

7 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 notes where it is probable that there will be an inflow of economic benefit or service potential.

8 Contingent Liabilities

A contingent liability arises when 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; but are disclosed in a note to the accounts.

9 Doubtful Debts

Provisions for doubtful debts are made to ensure that the Council can finance any sums due to the Council which are subsequently deemed to be irrecoverable after all recovery measures have been exhausted. This sum is reduced annually by sums written off and increased by any contributions from the revenue account. The provision is netted off against debtors in the Balance Sheet and not included in the provisions total.

The provision for doubtful debts in respect of overdue council tax, housing benefit overpayments, rents and NNDR is calculated by category on a percentage basis based upon previous experience of the recovery of debts of that type. The provision for other sundry debts is calculated by reference to the age of the debt involved, and the Council’s previous experience of recovering such debt.

10 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy 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 administered on behalf of the Council by Derbyshire County 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 benefit scheme:

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

- Liabilities are discounted to their value at current prices using a discount rate.

- The assets of the Derbyshire County Council Pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – average of the bid and offer rates;
  - property – market value.

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

- Current Service Cost - the increase in liabilities as 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 arising 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 Costs - 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 Pension Reserve as Other Comprehensive Income and Expenditure.

- Actuarial Gains and Losses – change in the net pension 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; 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 Pension 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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

11 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 are 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.

12 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.

13 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result in a change of 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 the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

14 Financial Instruments

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

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

Financial Assets

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

There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

When loans are made at less than market rates (a soft loan) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost that the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year.

When loans are made at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- instruments with quoted market prices - the market price.

- other instruments with fixed and determinable payments - discounted cash flow analysis.

- equity shares with no quoted market prices - multiple valuation techniques (which include market approach, income approach and cost approach).

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

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs - unobservable inputs for the asset.

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

Where fair value cannot be measure reliably, the instrument is carried at cost (less any impairment losses).

15 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. When conditions are satisfied, the grant or contribution is credited to the relevant service line 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.

16 Heritage Assets

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

<u>Recognition</u>

Heritage assets are classed as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture” or “an intangible asset with cultural, environmental or historical significance”. A general de-minimis limit of £10,000 is applied to all fixed assets.

<u>Measurement</u>

Only heritage assets that have a cost or value available are required to be entered into the Balance Sheet. Where information on the cost or value is not available and the cost of obtaining the information outweighs the benefits to the user of the statements, the code does not require that the asset is recognised in the Balance Sheet, although appropriate disclosure is needed where heritage assets are not recognised in the Balance Sheet.

Unlike other assets, a full valuation every five years is not required. Valuations can be done whenever the Council requires. The valuations may be made by any method that is appropriate and relevant, this may include insurance valuations.

However, the code does require that authorities review the carrying amounts of heritage assets with sufficient regularity to ensure they remain current. Because of this the Council has determined that a five year review will be carried out.

Impairment

Impairment reviews are only required in limited circumstances. However, the Council has determined that a five year review will be carried out. An immediate review will need to be carried out where an asset has suffered physical deterioration or breakage of a heritage asset; or where new doubts arise as to the authenticity of a heritage asset.

Where impairment is identified as part of this review and it is deemed material, or as a result of a valuation exercise, this is accounted for by:

- 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 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, 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 some heritage assets, ones with a definite life, by the systematic allocation of their depreciable amounts over their useful lives.

- Depreciation is calculated on a straight-line allocation over the useful life of the asset.

For any heritage assets with indefinite lives no depreciation is required.

Revaluation gains are also depreciated, where applicable, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

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

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 value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received from disposal proceeds in excess of £10,000 are categorised as capital receipts. The balance of receipts is credited to the Capital Receipts Reserve and can only be used either to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the Movement on Reserves Statement.

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

17 Intangible Fixed 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 lines 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 might be impaired; any losses recognised are posted to the relevant service lines 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 or 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 sale proceeds above £10,000) the Capital Receipts Reserve.

18 Interests in Companies and Other Entities

The Council has a material interest in Rykneld Homes Limited, a company limited by guarantee, which is an Arms Length Management Organisation (ALMO).

The ALMO is a wholly owned subsidiary, which was formed on 1 April 2007 and as a result the Council are required to prepare Group Accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

The Council also has a joint venture in Northwood Developments Limited. This is being accounted for as an available-for-sale financial asset. Group accounts are not being prepared based on materiality.

19 Inventories

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

20 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 service or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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 and Expenditure 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 on Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds above £10,000) the Capital Receipts Reserve.

21 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures' that involve the use of assets and resources of the ventures' rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities 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 and equipment that are jointly controlled by the Council and other ventures', with the assets being used to obtain benefits for the ventures'. 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 it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Building Control - with Bolsover District Council and Chesterfield Borough Council

Internal Audit Services - with Bolsover District Council and Chesterfield Borough Council, and Derbyshire Dales District Council

Procurement Services – with Bolsover District Council and Derbyshire Dales District Council and Chesterfield Royal Hospital.

ICT Services – with Bolsover District Council and Derbyshire Dales District Council

Environmental Health Services – with Bolsover District Council

The Council does have jointly controlled assets with Chesterfield Borough Council and Bolsover District Council regarding the operation of a crematorium. On the basis of materiality, the Council does not include any figures for the joint crematorium within the Statement of Accounts.

22 Leases

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

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

Arrangements that do not have the legal status of a lease but convey the 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.

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;
- A finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

23 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.

24 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising the 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 current 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 acquisition is the carrying amount of the asset exchanged by the Council.

Donated assets are measured at fair value. The difference between fair value and the consideration paid is credited to the Taxation and Non Specific Grant income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;

- Dwellings – current value, determined using the basis of existing use for social housing;
- Surplus assets – fair value, estimated at the 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 for the 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 basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains;

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

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

Impairment

At the end of each reporting period an assessment is made of 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 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, 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 for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases: -

- Land – Not depreciated
- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Infrastructure Assets - Straight-line allocation over life of asset
- Vehicles, plant furniture and equipment – straight-line allocation over the useful life of the asset.
- Community assets – are not depreciated.
- Council Dwellings – Straight Line allocation over the life of the property (also, subject to componentisation)

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

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

Where an item of Property, Plant and Equipment exceed £1m in value and 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 capital programme. An appropriate life has been assigned to each of these components.

Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is re-valued before reclassification at its existing use value then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as an asset 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 value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

25 Provisions

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

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

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year – where it becomes more likely than not that a transfer of economic benefit will not be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

26 Reserves

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

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

27 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year which may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service revenue account in the year. 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 amounts charged so there is no impact on the level of council tax.

28 Trust Funds

Details of the nature and amount of trust funds where the Council acts as the sole trustee are disclosed as a note to the Balance Sheet.

29 Value Added Tax (VAT)

The Council is normally able to recover all VAT. Where this is the case VAT is not included in the income and expenditure statements. Where the Council is unable to recover VAT it is charged to the appropriate service.

30 Segmental Analysis

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

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

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

GENERAL NOTES

1 Changes in Accounting Policies

As recommended in the Code of Practice guidance notes, there have been a limited number of minor changes to the Accounting Policies which are seeking to clarify the policies adopted in respect of 2018/19.

2 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting (the Code) requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year. This applies to the following new or amended standards within the 2018/19 code:

- Amendments to IAS40 Investment Property:Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC22 Foreign Currency Transactions and Advance Consideration
- IFRIC23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation
- IFRS16 Leases – will bring most leases on Balance Sheet for lessees from 2019

The Council does not anticipate that any of the above will have a material impact on the financial statements.

3 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A review is undertaken to assess whether capital spend restores or enhances an asset. A further judgement is then made as to whether there is a consequent requirement to derecognise any existing value of any component of the asset. The Council derecognises a component when the expenditure exceeds 75% of the carrying value of the component. Expenditure on components below this value is impaired through the Comprehensive Income and Expenditure Statement.

4 Assumptions made about the future and other major sources of estimation uncertainty

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

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

Arrears

At 31 March 2019, the Authority had total outstanding arrears of £4.506m. This was made up of a sundry debtor balance of £0.420m, rents of £1.465m, over paid housing benefits of £1.560m, NNDR payers of £0.299m and council tax payers of £0.762m. A review of bad debt provision has been undertaken based on the age of the debt, and a total doubtful debt provision of £2.522m has been made in the Accounts.

If collection rates were to change, either positively or negatively, this would be reflected in the current year's budgets as an increase or decrease in provision requirements. Any change in the budgeted provision would impact on reserve balances. If collection rates were to deteriorate, 10% of the amount of the impairment of bad debts would require an additional provision of £0.252m.

Earmarked Reserves

A sum of £0.460m has been set aside to cover potential legal claims against the Council. The reserve will be reviewed annually and adjusted accordingly. If the reserve is not sufficient then General Fund balances will need to be utilised.

A sum has also been set aside for Business Rates (£3.087m). The amount of income retained from business rates each year is based on an estimate as at 31 January, the surplus or deficit is based on the outturn position and further adjustments are made for the levy and redistributions in and out of the pool. Due to the complexity of these estimates an earmarked reserve has been created to mitigate against any future impact to the General Fund. Additionally, a national reset of the business rates baseline is planned for April 2020 which is expected to have a detrimental impact on the amount retained for a number of years.

Property, Plant and Equipment

The Council's assets are reviewed for impairment on an annual basis by the Council's Senior Estates and Valuation Officer. The impairment review considers the overall market conditions as well as any impairment relating to loss of economic benefit.

GENERAL NOTES

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

If the level of impairment is changed, this will impact on the net worth of the Council. Impairment charges are reflected in the Accounts but are reversed through the

Movement in Reserves Statement so that there is no impact on the council tax or rent payer.

It is estimated that the annual depreciation charge for buildings, including council dwellings, would increase by £1.501m for every year that useful lives had to be reduced.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

During 2018/19 the Council's actuaries advised that the net pension liability had increased by £6.405m. This is made up of:

• £4.282m actuarial loss

• £2.123m loss arising from employer contributions of £2.861m being less than the pension obligations of £4.984m

The effect of changes in the individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £15.932m. A 0.5% increase in the assumed salary increase rate would result in a £2.032m increase in the pension liability and an increase of 0.5% in the assumed pension rate would increase the pension liability by £13.640m. A one year increase in member life expectancy would increase the defined benefit obligation by around 3-5%.

Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for their proportionate share of successful appeals against business rates charged to businesses in 2015-16 and earlier financial years. Therefore, a provision has been recognised for the best estimate of the amount that businesses have overpaid up to 31st March 2019. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2019. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.843m compared to £1.592m in 2017/18.

Impact of Brexit on Pension Asset values

There is a high level of uncertainty surrounding Britain leaving the European Union with 3 possible scenarios – no deal Brexit, agreement with a transition period or a further extension. It is impossible to predict with any certainty the impact this will have on the Pension Liability. The assumption has been made that this will no significantly impair the Council's Pension Assets or change the discount rate.

5 Prior Period Adjustments

There have been no prior period adjustments to the published financial statements for 2018/19.

CORE SINGLE ENTITY FINANCIAL STATEMENTS

2018/19

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Cost of All Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The increase/decrease line shows the net increase or decrease to reserves in year.

2018/19	General Fund Balances	HRA Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000	£'001	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	**10,558**	**28,030**	**4,841**	**826**	**1,104**	**45,359**	**172,512**	**217,871**
Movement in Reserves during 2018/19:								
Total Comprehensive Income and Expenditure	(128)	(10,328)	0	0	0	**(10,456)**	(3,327)	**(13,783)**
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	3,371	14,973	718	(650)	189	**18,601**	(18,601)	**0**
Increase or (decrease) in 2018/19	3,243	4,645	718	(650)	189	**8,145**	(21,928)	**(13,783)**
Balance at 31 March 2019	**13,801**	**32,675**	**5,559**	**176**	**1,293**	**53,504**	**150,584**	**204,088**

MOVEMENT IN RESERVES STATEMENT

2017/18	General Fund Balances £'000	HRA Balances	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Authority Reserves £'000**
Balance at 31 March 2017	**9,411**	**4,325**	**2,547**	**1,523**	**1,689**	**19,495**	**171,414**	**190,909**
Movement in Reserves during 2017/18:								
Total Comprehensive Income and Expenditure	(2,487)	13,459	0	0	0	**10,972**	15,990	**26,962**
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	3,634	10,246	2,294	(697)	(585)	**14,892**	(14,892)	**0**
Increase or (decrease) in 2017/18	1,147	23,705	2,294	(697)	(585)	**25,864**	1,098	**26,962**
Balance at 31 March 2018	**10,558**	**28,030**	**4,841**	**826**	**1,104**	**45,359**	**172,512**	**217,871**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2017/18				**2018/19**	
Expenditure	Income	Net Expenditure		**Expenditure**	**Income**	**Net Expenditure**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
8,007	(4,567)	**3,440**	Place Directorate	8,140	(5,712)	**2,428**
40,754	(31,832)	**8,922**	People Directorate	38,976	(30,023)	**8,953**
48,761	(36,399)	**12,362**	**Cost Of General Fund Services**	47,116	(35,735)	**11,381**
14,277	(32,270)	**(17,993)**	Housing Revenue Account	36,419	(32,047)	**4,372**
0	0	**0**	HRA Exceptional Item (note 3)	0	0	**0**
63,038	(68,669)	**(5,631)**	**Cost of All Services**	83,535	(67,782)	**15,753**
		4,615	Other Operating Expenditure	(note 4)		6,116
		4,057	Financing and Investment Income and Expenditure	(note 5)		5,113
		(14,013)	Taxation and Non-Specific Grant Income	(note 6)		(16,526)
		(10,972)	**(Surplus) or Deficit on Provision of Services**			**10,456**
		(12,008)	(Surplus) or Deficit on Revaluation of Fixed Assets	(note 23)		(2,464)
		(3,982)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	(note 23 & 39)		5,792
		(15,990)	**Other Comprehensive Income and Expenditure**			**3,328**
		(26,962)	**Total Comprehensive Income and Expenditure**			**13,784**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000		**Note**	**31 March 2019 £'000**
386,462	Property, Plant & Equipment	Note 10	**370,674**
58	Heritage Assets	Note 10 & 11	**58**
15,140	Investment Property	Note 12	**15,948**
72	Intangible Assets	Note 13	**34**
5,871	Long Term Debtors	Note 14	**4,868**
407,603	**Long Term Assets**		**391,582**
0	Assets Held for Sale	Note 15	**0**
156	Inventories	Note 16	**170**
6,418	Short Term Debtors	Note 17	**6,156**
14,484	Cash and Cash Equivalents	Note 18	**21,391**
21,058	**Current Assets**		**27,717**
(3,353)	Short Term Borrowing	Note 19	**(1,350)**
(6,988)	Short Term Creditors	Note 20	**(5,729)**
(1,628)	Provisions (short term)	Note 21	**(1,878)**
(11,969)	**Current Liabilities**		**(8,957)**
(150,846)	Long Term Borrowing	Note 19	**(149,542)**
(47,975)	Other Long Term Liabilities	Note 19 & 39	**(56,712)**
(198,821)	**Long Term Liabilities**		**(206,254)**
217,871	**Net Assets**		**204,088**
(45,359)	**Usable Reserves**	MIRS & 22	(53,504)
(172,512)	**Unusable Reserves**	MIRS & 23	(150,584)
(217,871)	**Total Reserves**		**(204,088)**

CASH FLOW STATEMENT

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

2017/18 £'000		**2018/19 £'000**
(10,972)	Net (surplus) or deficit on the provision of services	10,456
(9,027)	Adjustment to surplus or deficit on the provision of services for noncash movements	(33,181)
6,650	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,466
(13,349)	**Net Cash flows from operating activities (note 24)**	**(15,259)**
8,672	Investing Activities (note 25)	5,049
1,302	Financing Activities (note 26)	3,303
(3,375)	**Net (increase) or decrease in cash and cash equivalents**	**(6,907)**
(11,109)	Cash and cash equivalents at the beginning of the reporting period	(14,484)
(14,484)	**Cash and cash equivalents at the end of the reporting period (note 18)**	**(21,391)**

NOTES TO THE CORE SINGLE ENTITY FINANCIAL STATEMENTS

2018/19

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows the adjustment between the funding basis, which is that reported for management decision making and the accounting basis in the year. The management restructure undertaken in 2018 is reflected below.

2018/19	Net expenditure chargeable to the GF/HRA £'000	Adjustments between Funding and accounting basis £'000	Net expenditure in CIES £'000
Place Directorate	2,123	305	2,428
People Directorate	7,706	1,247	8,953
Housing Revenue Account	(10,601)	14,973	4,372
Net Cost of Services	**(772)**	**16,525**	**15,753**
Other Income and Expenditure	(7,116)	1,819	(5,297)
(Surplus) or Deficit on Provision of Services	**(7,888)**	**18,344**	**10,456**

2017/18	Net expenditure chargeable to the GF/HRA £'000	Adjustments between Funding and accounting basis £'000	Net expenditure in CIES £'000
Place Directorate	2,342	1,097	3,439
People Directorate	7,805	1,117	8,922
Housing Revenue Account	(28,238)	10,246	(17,992)
Net Cost of Services	**(18,091)**	**12,460**	**(5,631)**
Other Income and Expenditure	(6,761)	1,420	(5,341)
(Surplus) or Deficit on Provision of Services	**(24,852)**	**13,880**	**(10,972)**

EXPENDITURE & FUNDING ANALYSIS NOTES

General Fund and HRA Balances	2018/19	2017/18
Opening GF and HRA Balances @ 1 April	**38,588**	13,736
Net surplus /(deficit) on GF in year	**7,888**	24,852
Closing GF and HRA balance at 31 March	**46,476**	38,588

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

1a 2018/19

Note to the Expenditure and Funding Analysis: Adjustments between funding and accounting basis

Adjustments from GF to arrive at the CIES amounts	Adjustments for capital purposes £'000	Net changes for pension adjustments £'000	Other differences £'000	Total Adjustments £'000
Place Directorate	(439)	736	8	305
People Directorate	297	942	8	1,247
Housing Revenue Account	14,973	0	0	14,973
Net Cost of Services	14,831	1,678	16	16,525
Other operating expenditure and income	818	1,268	(267)	1,819
Difference between GF (surplus) / deficit and CIES (surplus) / deficit	**15,649**	**2,946**	**(251)**	**18,344**

1a 2017/18
Note to the Expenditure and Funding Analysis: Adjustments between funding and accounting basis

Adjustments from GF to arrive at the CIES amounts	Adjustments for capital purposes £'000	Net changes for pension adjustments £'000	Other differences £'000	Total Adjustments £'000
Place Directorate	368	738	(9)	1,097
People Directorate	924	175	18	1,117
Housing Revenue Account	10,246	0	0	10,246
Net Cost of Services	11,538	913	9	12,460
Other operating expenditure and income	145	1,255	20	1,420
Difference between GF (surplus) / deficit and CIES (surplus) / deficit	**11,683**	**2,168**	**29**	**13,880**

Adjustments for Capital Purposes

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

   - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

   - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

   - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amount payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

The table below shows the amount of income received from external sources given on a segmental basis.

	2018/19 Income from Services £'000	2017/18 Income from Services £'000
Place Directorate	**(5,712)**	(4,567)
People Directorate	**(30,023)**	(31,832)
Housing Revenue Account	**(32,047)**	(32,270)
Other Operating Income	**0**	0
Total income analysed on a segmental basis	**(67,782)**	(68,669)

2 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2018/19			Usable Reserves		
	General Fund Balances £'000	HRA Balances £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
· Pension costs (transfers to or from the Pensions Reserve)	2,946	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	(268)	0	0	0	0
· Pooled Funds (transfers to or from the Pooled Funds Investment Account)	(17)				
· Holiday Pay (transfers to or from the Accumulated Absences Reserve)	16	0	0	0	0
· Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(584)	28,887	0	0	0
Total Adjustments to Revenue Resources	**2,093**	**28,887**	**0**	**0**	**0**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(59)	(4,913)	4,972	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,292	0	(1,292)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(9,000)	0	9,000	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(1,929)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	**1,233**	**(13,913)**	**1,751**	**9,000**	**0**
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(1,034)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(9,650)	0
Application of capital grants to finance capital expenditure	(189)	0	0	0	189
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	233	(1)	1	0	0
Total Adjustments to Capital Resources	**44**	**(1)**	**(1,033)**	**(9,650)**	**189**
Total Adjustments	**3,370**	**14,973**	**718**	**(650)**	**189**

MOVEMENT IN RESERVES NOTES

2017/18	General Fund Balances £'000	HRA Balances £'000	Usable Reserves Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
· Pension costs (transfers to or from the Pensions Reserve)	2,168	0	0	0	0
· Council Tax and NNDR (transfers to or from the Collection Fund)	20	0	0	0	0
· Holiday Pay (transfers to or from the Accumulated Absences Reserve)	9	0	0	0	0
· Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	539	24,377	0	0	0
Total Adjustments to Revenue Resources	**2,736**	**24,377**	**0**	**0**	**0**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(513)	(4,629)	5,143	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	645		(645)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(9,500)	0	9,500	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	0	0	(1,813)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	**132**	**(14,129)**	**2,685**	**9,500**	**0**
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(393)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(10,197)	0
Application of capital grants to finance capital expenditure	585	0	0	0	(585)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	181	(2)	2	0	0
Total Adjustments to Capital Resources	**766**	**(2)**	**(391)**	**(10,197)**	**(585)**
Total Adjustments	**3,634**	**10,246**	**2,294**	**(697)**	**(585)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

3 Material Items of Income and Expense

2018/19

There are no material items of Income and Expense to be disclosed separately during 2018/19.

2017/18

There are no material items of Income and Expense to be disclosed separately during 2017/18.

4 Other Operating Expenditure

2017/18 £'000		**2018/19 £'000**
3,177	Parish Council Precepts and Council Tax Reduction Contribution	**3,194**
645	Payments to the Government Housing Capital Receipts Pool	**1,292**
793	(Gains)/Losses on the disposal of non-current assets	**1,630**
4,615	**Total**	**6,116**

5 Financing and Investment Income & Expenditure

2017/18 £'000		**2018/19 £'000**
5,523	Interest payable and similar charges	**5,415**
1,255	Net interest on the net defined benefit liability	**1,268**
(262)	Interest receivable and similar income	**(333)**
(2,459)	Income and expenditure in relation to investment properties and changes in their fair value	**(1,196)**
0	Other investment income	**(41)**
4,057		**5,113**

6 Taxation and Non Specific Grant Income

2017/18 £'000		**2018/19 £'000**
(707)	Revenue Support Grant	**0**
(1,097)	New Homes Bonus Grant	**(920)**
(55)	Capital Grants and Contributions	**(729)**
0	Council Tax Freeze Grant	**0**
(1,859)		**(1,649)**
(3,587)	Business Rates Retention	**(6,006)**
(8,567)	Council Tax Income (includes parish precepts)	**(8,871)**
(14,013)	**Total Grants**	**(16,526)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

7 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19.

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
See note 6	**(1,649)**	(1,859)
Credited to Services		
Council Tax Admin Grant	**(121)**	(129)
Disabled Facilities Grant	**(735)**	(625)
European Elections Grant	**0**	(2)
Health Authority Contributions	**0**	0
Housing Benefits Admin Grant	**(279)**	(297)
Housing Benefits New Burdens Grant	**(178)**	(59)
Manufacturing Zone Grant	**(220)**	0
Police & Crime Commission Elections Grant	**0**	(6)
Police Authority Contributions	**(31)**	(35)
Rent Allowances Grant	**(6,667)**	(7,342)
Rent Rebates Grant	**(14,084)**	(15,177)
Section 106 Grants	**(1,050)**	(151)
Other Grants	**(414)**	(444)
Other Contributions	**(206)**	(123)
Total	**(23,985)**	(24,390)
Overall Grants Total	**(25,634)**	**(26,249)**

8 Transfers to/from Earmarked Reserves

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

	Balance at 31st March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31st March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31st March 2019 £'000
General Fund:							
Revenue Grant Reserve	(1,803)	588	(960)	(2,175)	1,346	(2,270)	(3,099)
Legal Reserve	(549)	28	0	(521)	61	0	(460)
Car Park Enforcement	(4)	0	0	(4)	0	0	(4)
Planning Policy	(170)	0	0	(170)	48	0	(122)
Invest to Save	(2,978)	470	(1,222)	(3,730)	281	(805)	(4,254)
Revenue Projects	(24)	0	0	(24)	0	0	(24)
Insurance Reserve	(80)	0	(10)	(90)	0	0	(90)
Business Rates	(1,258)	0	0	(1,258)	0	(1,829)	(3,087)
Investment Properties R & M	(155)	18	(25)	(162)	18	0	(144)
Other Reserves	(390)	28	(62)	(424)	55	(148)	(517)
Total	**(7,411)**	**1,132**	**(2,279)**	**(8,558)**	**1,809**	**(5,052)**	**(11,801)**
HRA:							
Insurance Reserve	(395)	0	(50)	(445)	0	(50)	(495)
New Build Reserve	(930)	16	(567)	(1,481)	780	(1,075)	(1,776)
Debt Repayment Reserve	0	0	(23,100)	(23,100)	0	(4,300)	(27,400)
HRA Capital Grant Reserve	0	50	(54)	(4)	0	0	(4)
ALMO Deficit Reserve	0	0	0	0	0	0	0
Total	**(1,325)**	**66**	**(23,771)**	**(25,030)**	**780**	**(5,425)**	**(29,675)**
Total	**(8,736)**	**1,198**	**(26,050)**	**(33,588)**	**2,589**	**(10,477)**	**(41,476)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

9 Expenditure and Income by nature

	2018/19	2017/18
	£'000	£'000
Expenditure		
Employee Expenses	**14,427**	12,900
Premised Related Expenditure	**1,642**	1,388
Transport Costs	**511**	409
Supplies and Services	**16,636**	23,068
Support Services	**1,359**	1,409
Transfer Payments	**21,061**	22,826
Capital Financing Costs	**25,074**	1,717
Interest Payments	**5,415**	5,523
Precepts and Levies	**3,193**	3,177
Payments to Housing Capital Receipts Pool	**1,292**	645
Total Expenditure	**90,610**	73,062
Income		
Fees, Charges and Other Service Income	**(37,886)**	(38,016)
Interest and Investment Income	**(333)**	(51)
Government Grants	**(25,634)**	(32,379)
Business Rate Retention	**(6,006)**	(3,587)
Income From Council Tax	**(8,871)**	(8,567)
Recharges and Other Income	**(1,434)**	(1,434)
Total Income	**(80,164)**	(84,034)
Surplus or Deficit on the Provision of Services	**10,446**	(10,972)

The significance of IFRS15 has been considered and does not have material impact on amounts or timing of revenue recognition.

10 Property, Plant and Equipment

Movements in 2018/19 Cost or Valuation & Impairment	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Heritage Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment (Asset Register) £'000	Leased Assets £'000	Total Property, Plant & Equipment £'000
At 1st April 2018	366,569	15,861	4,565	390	58	1	10	2,108	**389,562**	0	**389,562**
Movement in cost or valuation											
Reclassification	0	0	0	0	0	0	0	0	**0**	0	**0**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	**0**	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 1 April	0	743	0	0	0	0	0	0	**743**	0	**743**
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	0	101	0	0	0	0	0	0	**101**	0	**101**
Additions	13,950	29	543	0	0	0	0	(2,076)	**12,446**	0	**12,446**
Impairment of Additions - Revaluation Reserve	(1,150)	0	0	0	0	0	0	0	**(1,150)**	0	**(1,150)**
Impairment of Additions - CIES	(5,502)	(29)	0	0	0	0	0	0	**(5,531)**	0	**(5,531)**
Disposals	(6,799)	0	0	0	0	0	0	0	**(6,799)**	0	**(6,799)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	(1,529)	(44)	0	0	0	0	0	0	**(1,573)**	0	**(1,573)**
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	(13,099)	0	0	0	0	0	0	0	**(13,099)**	0	**(13,099)**
As at 31st March 2019	**352,440**	**16,661**	**5,108**	**390**	**58**	**1**	**10**	**32**	**374,700**	**0**	**374,700**

Movements in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment (Asset Register)	Leased Assets	Total Property, Plant & Equipment
Accumulated Depreciation											
At 1st April 2018	**0**	**(554)**	**(2,442)**	**(46)**	**0**	**0**	**0**	**0**	**(3,042)**	**0**	**(3,042)**
Movement in depreciation reclassification	**(7,813)**	**(403)**	**(553)**	**(6)**	**0**	**0**	**0**	**0**	**(8,775)**	**0**	**(8,775)**
Depreciation Charge	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Assets reclassified (to)/from Held for Sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation written out to the Revaluation Reserve	**4,430**	**14**	**0**	**0**	**0**	**0**	**0**	**0**	**4,444**	**0**	**4,444**
Depreciation written out to the surplus/deficit on provision of services	**3,187**	**22**	**0**	**0**	**0**	**0**	**0**	**0**	**3,209**	**0**	**3,209**
Disposals	**196**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**196**	**0**	**196**
Depreciation reversed due to impairment review	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
As at 31st March 2019	**0**	**(921)**	**(2,995)**	**(52)**	**0**	**0**	**0**	**0**	**(3,968)**	**0**	**(3,968)**
Net Book Value											
Balance Sheet Net Amount at 31st March 2019	352,440	15,740	2,113	338	58	1	10	32	**370,732**	0	**370,732**
Balance Sheet Net Amount at 31st March 2018	366,569	15,307	2,123	344	58	1	10	2,108	**386,520**	0	**386,520**

Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment (Asset Register)	Leased Assets	Total Property, Plant & Equipment
Cost or Valuation & Impairment	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1st April 2017	352,770	15,064	5,549	390	58	1	358	343	**374,533**	0	**374,533**
Movement in cost or valuation											
Reclassification	0	0	0	0	0	0	0	0	**0**	0	**0**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	**0**	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 1 April	0	942	(104)	0	0	0	1	0	**839**	0	**839**
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April	0	28	(999)	0	0	0	(4)	0	**(975)**	0	**(975)**
Additions	10,427	150	172	0	0	0	0	1,765	**12,514**	0	**12,514**
Impairment of Additions - Revaluation Reserve	(1,185)	(32)	0	0	0	0	0	0	**(1,217)**	0	**(1,217)**
Impairment of Additions - CIES	(5,699)	(119)	0	0	0	0	0	0	**(5,818)**	0	**(5,818)**
Disposals	(5,734)	(30)	(53)	0	0	0	(345)	0	**(6,162)**	0	**(6,162)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March	7,037	0	0	0	0	0	0	0	**7,037**	0	**7,037**
Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March	8,953	(142)	0	0	0	0	0	0	**8,811**	0	**8,811**
As at 31st March 2018	**366,569**	**15,861**	**4,565**	**390**	**58**	**1**	**10**	**2,108**	**389,562**	**0**	**389,562**

Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment (Asset Register)	Leased Assets	Total Property, Plant & Equipment
Accumulated Depreciation											
At 1st April 2017	**0**	**(647)**	**(2,301)**	**(39)**	**0**	**0**	**0**	**0**	**(2,987)**	**0**	**(2,987)**
Movement in depreciation reclassification	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation Charge	**(7,558)**	**(400)**	**(611)**	**(7)**	**0**	**0**	**0**	**0**	**(8,576)**	**0**	**(8,576)**
Assets reclassified (to)/from Held for Sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation written out to the Revaluation Reserve	**4,303**	**397**	**104**	**0**	**0**	**0**	**0**	**0**	**4,804**	**0**	**4,804**
Depreciation written out to the surplus/deficit on provision of services	**3,083**	**96**	**313**	**0**	**0**	**0**	**0**	**0**	**3,492**	**0**	**3,492**
Disposals	**172**	**0**	**53**	**0**	**0**	**0**	**0**	**0**	**225**	**0**	**225**
Depreciation reversed due to impairment review	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
As at 31st March 2018	**0**	**(554)**	**(2,442)**	**(46)**	**0**	**0**	**0**	**0**	**(3,042)**	**0**	**(3,042)**
Net Book Value											
Balance Sheet Net Amount at 31st March 2018	366,569	15,307	2,123	344	58	1	10	2,108	**386,520**	0	**386,520**
Balance Sheet Net Amount at 31st March 2017	352,770	14,417	3,248	351	58	1	358	343	**371,546**	0	**371,546**

BALANCE SHEET NOTES

Depreciation

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

Council Dwellings –

Component	Useful Life
Land	Infinite Life
Building	20 - 80 years (see note below)
Roof	50 years
Windows & Doors	30 years
Bathroom	20 years
Heating	20 years
Kitchen	15 years

During 2018/19 the building component of council dwellings has been depreciated over the following number of years: -

Defective Houses – 20 years
Pre 1945 – 50 years
1945 – 1974 – 60 years
Post 1974 – 80 years
Post 2010 – 80 years

Other assets are depreciated over the following lives: -

Other Land and Buildings – 10 – 50 years
Vehicles, Plant, Furniture and Equipment – 1 – 25 years

There is no requirement to depreciate land assets. In calculating depreciation, the straight line method has been adopted using a prudent estimate for the useful economic life and residual value for individual assets within each category. The fixed asset register contains the detailed information used in the depreciation calculation.

Leased vehicles are depreciated on a straight line basis from the month of acquisition.

Assets under Construction

The current amount of assets under construction is £0.032m (£2.108m, 2017/18). This figure is made up from work on the Pine View, Danesmoor scheme £0.023m, Acquistions and Disposal Programme £0.005m, Stock Purchase Scheme £0.002m and Leisure Facilities Refurbishment Scheme £0.002m.

Impairment

The Council has impaired £6.681m of capital works undertaken during 2018/19 (£7.035m, 2017/18) of which £5.531m (£5.818, 2017/18) has been put through the Comprehensive Income and Expenditure Statement and £1.150m (£1.217m, 2017/18) through the Revaluation Reserve. It is recognised that this expenditure is not reflected in the overall value of the property.

The 31 March 2019 impairment losses of £14.672m (£15.848m gains, 2017/18) arise as values are adjusted to reflect current market values within the asset categories shown, of which £13.099m loss (£8.811m gain, 2017/18) has been put through the Comprehensive Income and Expenditure Statement and a loss of £1.573m (£7.037m gain, 2017/18) through the Revaluation Reserve.

Capital Commitments

The following table identifies the capital commitments at the end of the financial year.

	31 March 2019 £'000	31 March 2018 £'000
Disabled Facilities Grants	**189**	269
North Wingfield New Build Scheme	**0**	621
Total Commitments	**189**	890

Revaluations

A certified Valuation Report has been prepared by the Council's qualified Senior Estates and Valuation Officer for Council Dwellings, Operational and Non-Operational assets. The valuations are assessed on the basis of open market value (for existing use where appropriate) or depreciated replacement cost (where there is no market for the property) in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Valuations are assessed at maximum five year periods with additional annual desk-top reviews. The date of the last full valuation of assets was 1 April 2014. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2018/19 this is 42% (2017/18 42%).

Vehicles, Plant and Equipment, Infrastructure and Community Assets are shown in the Balance Sheet at historic cost.

Assets are reviewed for any significant increases or decreases (impairment) in value every year. Impairment of assets is assessed in accordance with the guidance below. The Council has considered the following in respect of the valuations placed upon its assets in the Balance Sheet at 31 March 2019:

- any significant increase or decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the Authority operates;
- a commitment by the Authority to undertake a significant reorganisation.

BALANCE SHEET NOTES

The following table shows the in year valuation changes for each category of non-current assets compared with the current historic cost:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Heritage Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	0	0	5,108	390	0	1	0	0	**5,499**
Valued at current value:									
31st March 2019	352,440	1,574	0	0	0	0	0	32	**354,046**
31st March 2018	0	3,214	0	0	0	0	10	0	**3,224**
31st March 2017	0	7,515	0	0	58	0	0	0	**7,573**
31st March 2016	0	4,358	0	0	0	0	0	0	**4,358**
31st March 2015	0	0	0	0	0	0	0	0	**0**
Total cost or valuation	**352,440**	**16,661**	**5,108**	**390**	**58**	**1**	**10**	**32**	**374,700**

BALANCE SHEET NOTES

11 Heritage Assets

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

	Civic Regalia	Total Assets
Cost or Valuation	**£'000**	**£'000**
1 April 2017	58	58
In Year Disposals	0	0
31 March 2018	58	58
1 April 2018	**58**	**58**
Revaluations	**0**	**0**
31 March 2019	**58**	**58**

<u>Civic Regalia</u>

The Authority's collection of civic regalia is reported in the Balance Sheet at a jeweller's valuation which is based on market values. The most recent valuation has taken place during the 2018/19 financial year.

<u>Heritage Assets: Five year summary of transactions</u>

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Balance B/fwd	**58**	58	68	93	93
Revaluation of Assets					
Civic Regalia	**0**	0	(10)	0	0
Disposal of Assets					
Sculpture	**0**	0	0	(25)	0
Balance C/fwd	**58**	58	58	68	93

12 Investment Properties

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

	2018/19 £'000	2017/18 £'000
Rental Income from investment property	**(543)**	(517)
Direct operating expenses arising from investment property	**106**	77
Capital Transactions	**(759)**	(2,019)
Net (gain)/loss	**(1,196)**	(2,459)

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

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 with comparators for 2017/18 are as follows:

2018/19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Industrial Units	0	5,251	0	5,251
Commercial Properties	0	995	0	995
Land	0	8,115	0	8,115
Shared Ownership Properties	0	1,587	0	1,587
Total	**0**	**15,948**	**0**	**15,948**

2017/18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000
Industrial Units	0	4,711	0	4,711
Commercial Properties	0	8,400	0	8,400
Land	0	995	0	995
Shared Ownership Properties	0	1,034	0	1,034
Total	0	15,140	0	15,140

- Level 1 valuation uses quoted prices in active markets for identical assets.
- Level 2 valuation uses other observable inputs.
- Level 3 valuation uses significant unobservable inputs.

Valuation Techniques used to determine Level 2 (Significant Observable Inputs) Fair Values for Investment Properties

The fair value for the £15.948m has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

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

	2018/19 £'000	2017/18 £'000
Balance B/fwd	**15,140**	12,024
Reclassifications - Asset moved from OLB	**0**	0
Additions:		
Purchases	**85**	1,035
Enhancements	**34**	33
Disposals	**0**	0
Net gains/losses from fair value adjustments	**689**	2,048
Balance C/fwd	**15,948**	15,140

13 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licences as the Council has no internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	Software Package
3 Years	Uniform - Planning
	GIS
	UPS Software
	Paye.net
	Windows 7
	ISM Web
	Joint Domain
	User Device Replacement Programme

The movement on intangible asset balances during the year is as follows:

	2018/19 £'000	2017/18 £'000
Balance B/fwd		
Gross carrying amount	**774**	774
Accumulated Amortisation	**(702)**	(654)
Reclassification - Asset	**0**	0
Reclassification - Accumulated Amortisation	**0**	0
Net Carrying Amount 1 April	**72**	120
Additions:		
Purchases	**0**	0
Amortisation	**(38)**	(48)
Disposals:		
Assets at GBV	**0**	0
Amortisation	**0**	0
Balance C/fwd	**34**	72
Comprising:		
Gross carrying amounts	**774**	774
Accumulated amortisation	**(740)**	(702)
	34	72

The intangible assets relate to computer software. This includes amortisation costs of £0.038m (£0.048m, 2017/18) which have been charged to services in the Comprehensive Income and Expenditure Statement. The assets are being amortised over a period of 3 years using a straight line method. An impairment review of these assets was undertaken as at 31 March 2019 which has not impacted on the asset values.

BALANCE SHEET NOTES

14 Long Term Debtors

	31st March 2019 £'000	31st March 2018 £'000
Housing Act Advances and Outstanding Mortgages	**3**	4
Rykneld Homes Loan	**4,456**	5,467
Northwood Shares - Long Term Investment	**147**	0
Works in Default	**90**	90
Long Term Finance Leases	**172**	310
	4,868	5,871

15 Assets Held For Sale

The Council has no Assets held for Sale at 31 March 2019.

16 Inventories

	Balance at 31st March 2019 £'000	Balance at 31st March 2018 £'000
Street Scene	146	135
Swimming Pools/Leisure Centres	17	17
Other	7	4
Total	**170**	156

17 Short Term Debtors

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	**1,675**	1,356
Other Local Authorities	**1,730**	1,918
Bodies external to Central Government	**2,751**	3,144
Total	**6,156**	6,418

18 Cash and Cash Equivalents

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

	31st March 2019 £'000	31st March 2018 £'000
Cash held by Authority	6	6
Bank Current Accounts	1,325	684
Short Term Deposits	20,060	13,794
Total Cash and Cash Equivalents	**21,391**	14,484

19 Financial Instruments

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

- long-term loans from the Public Works Loan Board,
- lease payables detailed in note 38, and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

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

- cash in hand,
- bank current and deposit accounts,
- loans to other local authorities,
- loans made for service purposes,
- lease receivables detailed in note 38, and
- trade receivables for goods and services provided.

- Fair value through profit and loss comprising:
  - money market funds managed by Sungard fund managers
  - Equity investment with Northwood Group Limited

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

Financial Instruments - Balances

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

a. Financial Liabilities	**Long Term**		**Short Term**	
	31st March 2019 £'000s	31st March 2018 £'000s	**31st March 2019 £'000s**	31st March 2018 £'000s
Loans at amortised cost:				
- Principal sum borrowed	**(149,542)**	(150,846)	**(1,304)**	(3,303)
- Accrued interest	**-**	-	**(46)**	(50)
Total Borrowing	**(149,542)**	(150,846)	**(1,350)**	(3,353)
Liabilities at amortised cost:				
- Deferred Capital Receipts Unapplied	**(3)**	(4)	**-**	-
Total Other Long-term Liabilities	**(3)**	(4)	**-**	-
Liabilities at amortised cost:				
- Trade payables*	**-**	-	**(4,123)**	(5,395)
Included in Creditors	**-**	-	**(4,123)**	(5,395)
Total Financial Liabilities	**(149,545)**	(150,850)	**(5,473)**	(8,748)

*The short term creditor's line in the Balance Sheet includes £1.606m (2017/18 £1.593m) that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The total short-term borrowing includes £1.350m (2017/18: £3.353m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

BALANCE SHEET NOTES

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

b. Financial Assets	Long Term		Short Term	
	31st March 2019 £'000s	31st March 2018 £'000s	**31st March 2019 £'000s**	31st March 2018 £'000s
At amortised cost:				
- Principal	**0**	0	**18,040**	11,794
At fair value through profit & loss:				
- Fair Value	**0**	0	**2,020**	2,000
Total Investments	**0**	0	**20,060**	13,794
At amortised cost:				
- Principal	**-**	-	**1,331**	690
Total Cash and Cash Equivalents	**-**	-	**1,331**	690
At amortised cost:				
- Trade Receivables*	**90**	90	**4,032**	4,666
- Lease Receivables	**172**	310	**100**	195
- Loans made for service purposes	**4,459**	5,471	**202**	196
At fair value through profit & loss:				
- Fair Value	**147**	0	**0**	0
Included in Debtors	**4,868**	5,871	**4,334**	5,057
Total Financial Assets	**4,868**	5,871	**25,725**	19,541

*The short term debtors line in the Balance Sheet includes £1.822m (2017/18 £1.361m) that do not meet the definition of a financial asset as they relate to non-exchange transactions.

The total short-term investments includes £20.060m (2017/18: £13.794m) representing principal repayments due within 12 months.

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

c. Financial Instruments - Gains and Losses	Financial Liabilities		Financial Assets			
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	2018/19 Total £'000	2017/18 Total £'000
Interest expense	(5,415)	-	-	-	(5,415)	(5,523)
Losses on de-recognition	0	0	0	0	0	0
Losses from changes in fair value	-	0	-	(3)	(3)	0
Impairment losses	-	-	0	-	0	0
Fees paid	0	-	0	-	0	0
Interest payable and similar charges **	(5,415)	0	0	(3)	(5,418)	(5,523)
Interest income	0	-	333	-	333	262
Dividend income	-	-	-	0	0	0
Gains on de-recognition	0	0	0	0	0	0
Gains from changes in fair value	-	0	-	20	20	0
Impairment loss reversals	-	-	0	-	0	0
Interest and investment income **	0	0	333	20	353	262
Net impact on surplus/deficit on provison of services	(5,415)	0	333	17	(5,065)	(5,261)
Net Gain/(Loss) for the Year	(5,415)	0	333	17	(5,065)	(5,261)

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds and other pooled funds, the fair value is taken from the market price. The fair values of shares in Northwood Group Limited have been valued from the company's balance sheet net assets.

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

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

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

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

d. Financial Instruments - Fair Values Liabilities	Fair Value Level	Balance Sheet 31st March 2019 £000s	Fair Value 31st March 2019 £000s	Balance Sheet 31st March 2018 £000s	Fair Value 31st March 2018 £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	(150,846)	(178,661)	(154,149)	(180,462)
Accrued Interest (PWLB)	2	(46)	(46)	(50)	(50)
Other liabilities:					
Deferred Capital Receipts Unapplied	3	(3)	(3)	(4)	(4)
Trade Creditors	3	(4,123)	(4,123)	(5,395)	(5,395)
TOTAL		(155,018)	(182,833)	(159,598)	(185,911)
Liabilities for which fair value is not disclosed *		(57,860)		(51,192)	
TOTAL FINANCIAL LIABILITIES		(212,878)		(210,790)	
Recorded on balance sheet as:					
Short-term creditors		(5,729)		(6,988)	
Short-term borrowing		(1,350)		(3,353)	
Short-term provisions		(1,878)		(1,628)	
Long-term borrowing		(149,542)		(150,846)	
Other long-term liabilities		(54,379)		(47,975)	
TOTAL FINANCIAL LIABILITIES		(212,878)		(210,790)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

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

e. Financial Instruments - Fair Values Assets	Fair Value Level	Balance Sheet 31st March 2019 £000s	Fair Value 31st March 2019 £000s	Balance Sheet 31st March 2018 £000s	Fair Value 31st March 2018 £000s
Financial assets held at fair value:					
Money market funds	1	15,020	15,020	4,500	4,500
Bond, equity and property funds	1	0	0	0	0
Corporate, covered and government bonds	1	0	0	0	0
Shares in listed companies	1	147	147	0	0
Shares in unlisted companies	3	0	0	0	0
Forward contracts in the Council's favour	2	0	0	0	0
Financial assets held at amortised cost:					
Trade Receivables	3	4,122	4,122	4,756	4,756
Bank deposits	2	1,372	1,372	716	716
Loans to local authorities	2	4,000	4,000	7,000	7,000
Loans to Building Societies	2	1,000	1,000	2,268	2,268
Loans to Rykneld Homes Limited	3	4,657	4,657	5,663	5,663
Deferred Capital Receipts Unapplied	3	3	3	4	4
Lease receivables	3	272	272	505	505
TOTAL		30,593	30,593	25,412	25,412
Assets for which fair value is not disclosed *		1,992		1,517	
TOTAL FINANCIAL ASSETS		32,585		26,929	
Recorded on balance sheet as:					
Long-term debtors		4,721		5,871	
Long-term investments		147		0	
Short-term inventories		170		156	
Short-term debtors		6,156		6,418	
Short-term investments		20,060		13,794	
Cash and cash equivalents		1,331		690	
TOTAL FINANCIAL ASSETS		32,585		26,929	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is the same than their balance sheet carrying amount because the interest rate on similar investments is now the same than that obtained when the investment was originally made.

<u>Financial Instruments - Risks</u>

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

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

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

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

Credit Risk: Treasury Investments

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

A limit of £5m is placed on the amount of money that can be invested with a single counterparty. The Council's Treasury Management Strategy identifies approved counterparties with whom investments can be made including the duration of the investment. A full copy of the Council's Treasury Management Strategy can be found on the Council's Website.

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

f. Credit Risk Exposure	31st March 2019		31st March 2018	
	Long-term	Short-term	Long-term	Short-term
Credit Rating	£'000s	£'000s	£'000s	£'000s
AAA	0	15,020	0	4,500
AA	0	5	0	0
A+	0	1,035	0	1,026
A	0	0	0	1,268
Unrated local authorities	0	4,000	0	7,000
Total	0	20,060	0	13,794
Credit risk not applicable *	0	0	0	0
Total Investments	0	20,060	0	13,794

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. These are not material so no adjustments have been made in the Accounts.

Credit Risk: Trade and Lease Receivables and Contract Assets

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

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

g. Due date for receivables	31st March 2019		31st March 2018	
	Trade receivables £'000s	Lease receivables £'000s	Trade receivables £'000s	Lease receivables £'000s
Neither past due nor impaired	2,645	100	3,131	195
Past due 3-6 months	14	0	20	0
Past due 6-12 months	20	0	24	0
Past due 12+ months	90	0	113	0
Individually impaired	1,465	0	1,574	0
TOTAL RECEIVABLES	4,234	100	4,862	195

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due.

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

h. Credit risk for receivables	Range of allowances set aside	31st March 2019 Gross receivable £'000s	31st March 2019 Loss allowance £'000s	31st March 2018 Gross receivable £'000s	31st March 2018 Loss allowance £'000s
HRA Tenants	40% - 90%	**1,465**	**(836)**	1,574	(883)
Sundry Debtors	40% - 100%	**420**	**(105)**	641	(170)
Other Trade Receivables	0%	**2,147**	**0**	2,451	0
Lease Receivables	0%	**100**	**0**	195	0
Loans made for Service Purposes	0%	**202**	**0**	196	0
Total		**4,334**	**(941)**	5,057	(1,053)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are identified as no longer collectable, but steps are still taken to collect sums owing wherever possible. The amount written off but still subject to enforcement action at 31st March 2019 is £0.352m (2017/18: £0.275m).

<u>Credit Risk: Loans, Financial Guarantees and Loan Commitments</u>

In furtherance of the Council's service objectives, it has lent money to Rykneld Homes Limited. It has also committed to lend money to Rykneld Homes Limited and Northwood Group Limited should it be requested to do so at market rates of interest.

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

Borrower	Exposure type	Balance Sheet 31st March 2019 £'000s	Risk exposure 31st March 2019 £'000s	Balance Sheet 31st March 2018 £'000s	Risk exposure 31st March 2018 £'000s
Council House Mortgages	Loans at market rates	**3**	**3**	4	0
Rykneld Homes Limited	Loans at market rates	**4,657**	**2**	5,663	0
TOTAL		**4,660**	**5**	5,667	0

The Council manages the credit risk inherent in its loans for service purposes, financial guarantees and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes and loan commitments have been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions.

<u>Liquidity Risk</u>

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 20% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

	31st March 2019			31st March 2018		
Time to maturity (years)	**Liabilities £'000s**	**Assets £'000s**	**Net £'000s**	Liabilities £'000s	Assets £'000s	Net £'000s
Not over 1	**(1,354)**	**25,725**	**24,371**	(3,357)	19,545	16,188
Over 1 but not over 2	**(304)**	**221**	**(83)**	(1,304)	832	(472)
Over 2 but not over 5	**(6,419)**	**633**	**(5,786)**	(2,620)	686	(1,934)
Over 5 but not over 10	**(25,402)**	**883**	**(24,519)**	(25,412)	978	(24,434)
Over 10 but not over 20	**(70,326)**	**1,766**	**(68,560)**	(66,420)	1,957	(64,463)
Over 20 but not over 40	**(47,090)**	**1,125**	**(45,965)**	(55,090)	1,324	(53,766)
Over 40	**0**	**0**	**0**	0	0	0
Uncertain date *	**(4,123)**	**240**	**(3,883)**	(5,395)	90	(5,305)
Total	**(155,018)**	**30,593**	**(124,425)**	(159,598)	25,412	(134,186)

<u>Market Risks: Interest Rate Risk</u>

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £145.892m (2017/18: £135.879m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates. There is currently no borrowing exposure at variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be £1.5m. The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. Any fall in share prices result in a charge to Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

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

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet were not material, therefore, no figures have been changed.

20 Short Term Creditors

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	**(586)**	(1,281)
Other Local Authorities	**(2,361)**	(1,545)
NHS Bodies	**0**	0
Bodies external to Central Government	**(2,782)**	(4,162)
Total	**(5,729)**	(6,988)

21 Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with IAS37.

	31 March 2018 £'000	Use of Provision in Year £'000	Provision in Year £'000	31 March 2019 £'000
Rykneld Homes Loss Provision	(36)	0	0	**(36)**
NNDR Appeals Provision	(1,592)	3,458	(3,708)	**(1,842)**
Total	(1,628)	**3,458**	**(3,708)**	**(1,878)**

<u>Rykneld Homes Loss</u>

This is a provision set aside to meet the costs where Rykneld Homes Limited has recorded a trading loss. It is envisaged that the provision will be offset in future years when Rykneld Homes Limited make trading profits.

<u>NNDR Appeals</u>

The Collection Fund (NNDR) has a number of outstanding appeals regarding the Rateable Value applied to the premises within the District. These appeals are being heard by the District Valuer at the Valuation Office and are independent of the Council. The outstanding appeals at 31 March 2019, when assessed, may result in a reduction in the rateable value and as a result reduce the NNDR liability which will reduce NNDR income in the Collection Fund and therefore to the Council. Some of these outstanding appeals go back over a number of years. The Council has employed an independent company to assess the appeals and assist in the calculation of an appropriate provision. The figures above relate only to the Council's proportion of outstanding appeals as at 31 March 2019.

22 Usable Reserves

Movements in the Council's usable reserves are summarised below:

	31 March 2018 £'000	Transfers to in year £'000	Transfers from in year £'000	31 March 2019 £'000
Earmarked Reserves				
General Fund (note 8)	(8,558)	(5,052)	1,809	**(11,801)**
Housing Revenue Account (note 8)	(25,030)	(5,425)	780	**(29,675)**
Major Repairs Reserve	(826)	(9,000)	9,650	**(176)**
Capital Receipts Reserve	(4,841)	(4,973)	4,255	**(5,559)**
Capital Grants Reserve	(1,104)	(1,028)	839	**(1,293)**
	(40,359)	(25,478)	17,333	**(48,504)**
Balances				
General Fund	(2,000)	0	0	**(2,000)**
Housing Revenue Account	(3,000)	0	0	**(3,000)**
	(5,000)	0	0	**(5,000)**
Total	(45,359)	(25,478)	17,333	**(53,504)**

23 Unusable Reserves

	31 March 2019 £'000	31 March 2018 £'000
(a) Revaluation Reserve	**(39,002)**	(38,834)
(b) Capital Adjustment Account	**(168,397)**	(181,790)
(c) Pensions Reserve	**56,709**	47,971
(d) Deferred Capital Receipts Reserve	**(272)**	(505)
(e) Collection Fund Adjustment Account	**224**	491
(f) Accumulated Absences Account	**171**	155
(g) Pooled Funds and Shares Revaluation Reserve	**(17)**	0
Total Unusable Reserves	**(150,584)**	**(172,512)**

(a) <u>Revaluation Reserve</u>

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

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

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

31 March 2018 £'000		31 March 2019 £'000
(29,698)	**Balance 1 April**	**(38,834)**
0	Upward revaluation of assets	**0**
(11,321)	(Upward)/downward revaluation of assets and impairment losses not charged to surplus/deficit on provision of services	**(2,464)**
(11,321)	Surplus or Deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of service	**(2,464)**
0	Write out - Investment Property	**0**
1,176	Difference between fair value depreciation and historic cost depreciation	**1,350**
1,009	Accumulated gains on assets sold or scrapped	**946**
2,185		**2,296**
(38,834)	**Balance 31 March**	**(39,002)**

(b) Capital Adjustment Account

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

The Account contains accumulated gains and losses in Investment Properties.

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

The revaluation gains shown in the Account reflects the values from the exceptional item that have been debited or credited to the Comprehensive Income and Expenditure Statement.

BALANCE SHEET NOTES

31 March 2018 £'000		31 March 2019 £'000	31 March 2019 £'000
(192,118)	**Balance 1 April**		**(181,790)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,359	Charges for depreciation and impairment of non current assets	**22,716**	
565	Revaluation losses on Property Plant and Equipment	**(118)**	
48	Amortisation of Intangible Assets	**38**	
1,474	Revenue Expenditure Funded from Capital under Statute	**2,150**	
0	Amounts of investment properties written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	**0**	
5,937	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	**6,603**	
10,383			**31,389**
(2,185)	Adjusting amounts written out of Revaluation Reserve		**(2,296)**
(183,920)	Net written out amount of the cost of non-current assets consumed in the year		**(152,697)**
	Capital financing applied in the year:		
(1,813)	Use of Capital Receipts Reserve to repay allowable debt	**(1,929)**	
(393)	Use of Capital Receipts Reserve to finance new capital expenditure	**(1,034)**	
(10,197)	Use of the Major Repair Reserve to finance new capital expenditure	**(9,650)**	
(373)	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	**(1,083)**	
(725)	Application of grants to capital financing from the Capital Grants Unapplied Account	**(839)**	
17,821	Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances/reserves	**(960)**	
(142)	Capital Expenditure charged against the General Fund and HRA balances	**(1,013)**	
4,178			**(16,508)**
(2,048)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		**808**
0	Movements in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement		**0**
(181,790)	**Balance 31 March**		**(168,397)**

(c) Pensions Reserve

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	47,971	49,785
Actuarial (gains) or losses on pension assets and liabilities	5,792	(3,982)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	5,807	5,004
Employer's pension contributions and direct payments to pensioners payable in the year	(2,861)	(2,836)
Balance at 31 March	**56,709**	47,971

(d) Deferred Capital Receipts Reserve

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

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(505)	0
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	(686)
Transfer to the Capital Receipts Reserve upon receipt of cash	233	181
Closing Balance	(272)	(505)

(e) Collection Fund Adjustment Account

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

	2018/19	2017/18
Balance at 1 April	**£'000**	£'000
Opening Balance	491	471
Amount by which council tax/business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(267)	20
Balance at 31 March	**224**	491

(f) Accumulated Absences Account

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

	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Balance at 1 April		**155**		146
Settlement or cancellation of accrual made at the end of the preceeding year	**(155)**		(146)	
Amounts accrued at the end of current year	**171**		155	
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is defferent from remuneration chargeable in the year in accordance with statutory requirements		**16**		9
Closing Balance		**171**		155

(g) Pooled Funds and Share Revaluation Reserve

The Pooled Funds and Share Revaluation Reserve Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**0**	0
Upward Revaluation of Investments	**(17)**	0
Downward Revaluation of Investments	**0**	0
Change in Impairment Loss Allowances	**0**	0
	(17)	0
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	**0**	0
Accumulated Gains or losses on assets sold and maturing assets written out to General Fund Balances for financial assets designated to fair value through other comprehensive income	**0**	0
Closing Balance	**(17)**	0

CASH FLOW NOTES

24 Cash Flow Statement – Operating Activities

	2018/19 £'000	2017/18 £'000
Net (surplus) or deficit on provision of services	**10,456**	(10,972)
Adjustments for non-cash movements	**(33,181)**	(9,027)
Adjustments for investing and financing activities	**7,466**	6,650
Net cash flows from operating activities	**(15,259)**	(13,349)

The cash flows from operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest Received	**333**	(262)
Interest Paid	**(5,418)**	5,523
Total	**(5,085)**	5,261

25 Cash Flow Statement – Investing Activities

	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	**13,619**	13,594
Purchase of short-term and long-term investments	**150**	0
Other payments for investing activities	**0**	2,078
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,207)**	(6,011)
Proceeds from short-term and long-term investments	**0**	0
Other receipts from investing activities	**(3,513)**	(989)
Net cash flows from investing activities	**5,049**	8,672

26 Cash Flow Statement – Financing Activities

	2018/19 £'000	2017/18 £'000
Cash receipts for short and long-term borrowing	**0**	0
Other movements from financing activities	**0**	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**0**	0
Repayments of short and long-term borrowing	**3,303**	1,302
Other payments for financing activities	**0**	0
Net cash flows from operating activities	**3,303**	1,302

27 Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

2018/19	**1st April 2018**	**Financing Cash Flows**	**Non-Cash Changes Acquisition**	**Non-Cash Changes Other**	**31st March 2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Long-term borrowings	**(150,846)**	**0**	**0**	**1,304**	**(149,542)**
Short-term borrowings	**(3,303)**	**3,303**	**0**	**(1,304)**	**(1,304)**
Total Liabilities from financing activities	**(154,149)**	**3,303**	**0**	**0**	**(150,846)**

2017/18	1st April 2017	Financing Cash Flows	Non-Cash Changes Acquisition	Non-Cash Changes Other	31st March 2018
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(154,149)	0	0	3,303	(150,846)
Short-term borrowings	(1,302)	1,302	0	(3,303)	(3,303)
Total Liabilities from financing activities	(155,451)	1,302	0	0	(154,149)

28 Acquired and Discontinued Operations

Acquired Services
The Council has not acquired any new services during the year.

Discontinued Services
The Council has not discontinued any of its services during the year.

29 Construction Contracts

At 31 March 2019 the Council had no construction contracts in place.

30 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

31 Agency and Contractual Agreements

The Council has a contractual agreement with Derbyshire County Council whereby the Council undertakes mowing, weeding and tree pruning on land adjoining highways within the district. The Council is reimbursed for expenditure incurred on these activities including a contribution towards administrative costs. A summary of expenditure incurred in respect of the contract is shown below and this is included within the Operations Directorate line of the Comprehensive Income & Expenditure Statement.

	2018/19 £'000	2017/18 £'000
Amenity Maintenance	**266**	267
Total	**266**	267

32 Members' Allowances

The Council paid the following amounts to elected members during the year. These costs are included within the Growth Directorate line of the Comprehensive Income & Expenditure Statement.

	2018/19 £'000	2017/18 £'000
Allowances	**402**	391
Expenses	**4**	4
Total	**406**	395

33 Officer Emoluments

In addition to those employees covered within this note who are directly employed by the Council, part of the Management Team including the Chief Executive and three assistant directors are employed by Bolsover District Council. The costs associated with these arrangements are included within the Comprehensive Income and Expenditure Statement.

The number of employees (excluding senior officers) whose remuneration, **excluding employer's pension contributions**, was £50,000 or more in bands of £5,000 were:-

Remuneration Band	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 - £54,999	0	1
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0

<u>Senior Officers</u>

The Council is required to disclose all posts where the total remuneration exceeds £50,000 but does not exceed £150,000. Those posts identified as Senior Officers are within this remuneration range or report directly to the head of paid service.

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2018/19:

2018/19	Salary (including fees and allowances)	Benefits in Kind	Termination Payments & Pension Shortfall	Total Remuneration (excluding Pension Contributions)	Pension Contributions	Total Remuneration (including Pension Contributions)	Net Charge to BDC	Net Charge to NEDDC
Employed by N.E.D.D.C.	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Head of Finance & Resources	57,930	0	0	57,930	7,820	65,750	32,875	32,875
Joint Strategic Director - Place	82,952	0	0	82,952	11,172	94,124	47,062	47,062
Total	**140,882**	**0**	**0**	**140,882**	**18,992**	**159,874**	**79,937**	**79,937**
Employed by Bolsover D.C.								
Joint Chief Executive	120,342	0	0	120,342	16,632	136,974	68,487	68,487
Joint Strategic Director - People	75,025	0	0	75,025	10,428	85,453	42,727	42,726
Total	**195,367**	**0**	**0**	**195,367**	**27,060**	**222,427**	**111,214**	**111,213**
Overall Total	**336,249**	**0**	**0**	**336,249**	**46,052**	**382,301**	**191,151**	**191,150**

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2017/18:

2017/18	Salary (including fees and allowances)	Benefits in Kind	Termination Payments & Pension Shortfall	Total Remuneration (excluding Pension Contributions)	Pension Contributions	Total Remuneration (including Pension Contributions)	Net Charge to BDC	Net Charge to NEDDC
Employed by N.E.D.D.C.	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Head of Finance & Resources	56,481	0	0	56,481	7,463	63,944	31,972	31,972
Joint Strategic Director - Place	32,719	0	0	32,719	4,412	37,130	18,565	18,565
Total	**89,200**	**0**	**0**	**89,200**	**11,874**	**101,074**	**50,537**	**50,537**
Employed by Bolsover D.C.								
Joint Chief Executive	114,972	0	0	114,972	15,881	130,853	65,427	65,426
Joint Strategic Director - People	41,663	0	0	41,663	5,791	47,454	23,727	23,727
Total	**156,635**	**0**	**0**	**156,635**	**21,672**	**178,307**	**89,154**	**89,153**
Overall Total	**245,835**	**0**	**0**	**245,835**	**33,546**	**279,381**	**139,691**	**139,690**

The numbers of exit packages, excluding the senior officer emoluments set out in the above tables, with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18 £000	**2018/19 £000**
£0 - £20,000	0	**0**	4	**4**	4	**4**	23	**14**
£20,001 - £40,000	0	**0**	1	**0**	1	**0**	31	**0**
£40,001 - £60,000	0	**0**	0	**1**	0	**1**	0	**45**
£60,001 - £80,000	1	**0**	0	**0**	1	**0**	62	**0**
£80,001 - £100,000	1	**0**	0	**0**	1	**0**	98	**0**
£100,001 - £150,000	0	**0**	0	**0**	0	**0**	0	**0**
Total	2	**0**	5	**5**	7	**5**	214	**59**

34 Termination Benefits

The Council terminated the contracts of a number of employees during 2018/19, incurring liabilities of £0.059m (£0.214m in 2017/18), excluding senior officer emoluments, presented separately above. The Council has received a contribution of £0.025m towards their costs from Bolsover District Council.

35 Audit Fees

During 2018/19 North East Derbyshire District Council incurred the following fees relating to external audit and inspection:

	2018/19 £'000	2017/18 £'000
Fees payable to the auditors with regard to external audit services carried out by the appointed auditor	**44**	57
Fees payable to the auditors in respect of statutory inspection	**0**	0
Fees payable to the auditors for the certification of grant claims and returns	**13**	11
Fees payable in respect of any other services provided by the appointed auditor	**4**	3
Refund of overpaid auditors fee from Audit Commission	**0**	(7)
Total	**61**	64

36 Related Parties

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

<u>Central Government</u>

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 7.

OTHER NOTES TO THE ACCOUNTS

Members

Members of the Council have direct control over the Council's financial and operating policies. Council Members make disclosures of relevant interests to the Council's Monitoring Officer, and also have to make declarations on individual committee decisions. The Council also nominates Members to sit on outside bodies. A number of Council Members are also Members of Derbyshire County Council, local parish councils, or various local voluntary organisations, which the Council supports financially. Four Members of the Council sit on the board of Rykneld Homes Limited as Council nominees. Where necessary, Members declared such interests when relevant to their duties and thus no further disclosure is considered necessary.

Officers

In addition to the Register of Interests, key management personnel were required to complete a Declaration of Related Party Transactions Pro-Forma for the year 2018/19.

Other Significant Transactions

Other significant transactions with related parties, not included above, are as follows:

	Receipts £'000	Payments £'000
Revenue		
Bolsover District Council	(2,492)	1,047
Chesterfield Borough Council	(172)	191
Citizens Advice Bureau	0	75
Derbyshire County Council (excluding precepts)	(1,852)	1,534
Derbyshire Dales District Council	(289)	2
Parish Councils (excluding precepts)	(520)	53
Rykneld Homes Limited	0	10,027
Chesterfield Royal Hospital	0	7
Capital		
Rykneld Homes Limited	(12)	10,331
Loan		
Rykneld Homes Limited	(1,006)	0

During 2018/19 the Council had partnership agreements with Bolsover District Council (BDC), Chesterfield Borough Council (CBC), Chesterfield Royal Hospital (which ended during 2018/19) and Derbyshire Dales District Council (DDDC) in the following areas:

- Internal Audit
- Procurement
- ICT Service

- Environmental Health Section
- HR & Payroll Section
- Planning Policy Section
- Legal Services
- Crematorium

The Internal Audit Consortium is hosted by CBC. The accounts reflect the payments made to CBC towards the costs of running the service.

The Council hosts the Joint ICT Service which covers BDC, Derbyshire Dales District Council and ourselves for the provision of the Council's ICT. We also host the Joint Environmental Health Service which covers BDC and ourselves. There are also joint sections between BDC and ourselves which cover HR & Payroll, Planning Policy and Legal Services. The accounts reflect the total cost of these services less contributions from BDC and Derbyshire Dales District Council.

During 2018/19 the Rykneld Homes Limited repaid a total of £1.006m from the loans that the Council has provided them with.

The details of the loans made to Rykneld Homes Limited are shown below: -

Loans by Scheme	Loan Start Date £'000	Loan Period £'000	Initial Amount £'000	Amount Repaid £'000	Remaining Amount £'000
Eckington & Killamarsh	31/3/14	25 years	1,792	(568)	1,224
Dronfield	31/3/15	25 years	453	(158)	295
Grassmoor	31/3/15	25 years	1,066	(171)	895
North Wingfield	31/3/16	40 years	1,908	(65)	1,843
Calow	31/3/17	40 years	410	(10)	400
Stonebroom	31/3/17	2 years	425	(425)	0
Total			**6,054**	**(1,397)**	**4,657**

37 Capital Expenditure and Capital Financing

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

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	**186,580**	165,485
Movement in debtors - Borrowing	**0**	2,071
Movement in debtors - Repayment	**(1,013)**	(210)
Capital Investment		
Property, Plant & Equipment	**14,722**	15,056
Intangible Assets	**0**	0
Revenue Expenditure Funded from Capital under Statute: - Other REFCUS items	**0**	0
Sources of Finance		
Capital Receipts	**(1,034)**	(393)
Major Repairs Reserve	**(9,650)**	(10,197)
Government Grants and Other Contributions	**(1,922)**	(1,097)
Amounts set aside from Revenue:		
Repayment of Allowable Debt	**(1,929)**	(1,813)
Direct Revenue Contributions	**(870)**	(142)
Minimum Revenue Provision & Debt repayment from MRA	**(960)**	17,820
Closing Capital Financing Requirement	**183,924**	186,580
Movement on Capital Financing Requirement in year	**(2,656)**	21,095
Explanation of Movement in the Year		
Increase in underlying need to borrow (supported) - Decent Homes Programme	**0**	0
Increase in underlying need to borrow (prudential)	**1,246**	3,227
Repayment of debt	**(3,902)**	17,868
Increase/(decrease) in Capital Financing Requirement	**(2,656)**	21,095

38 Leases

Council as Lessee

Finance Leases

At present, the Council does not have any Finance leases.

Operating Leases

Operating leases held by the Council comprise of photocopiers and gym equipment. The total payment in 2018/19 was £0.048m (2017/18, £0.059m for photocopiers and gym equipment).

The following table identifies the Council's operating lease liability:

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	**32**	45
later than one year and not later than five years	**0**	17
later than five years	**0**	0
	32	62

<u>Authority as Lessor</u>

Finance Leases

The Council has leased out vehicles on a finance lease to Rykneld Homes Limited with a maximum term of 6 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term-debtor for the interest in the vehicles acquired by the lessee and finance income that will be earned in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts: -

	31 March 2019 £'000	31 March 2018 £'000
Finance lease debtor (NPV of minimum lease payments):		
Current	**100**	195
Non-Current	**172**	310
Unearned finance income	**0**	0
Unguaranteed residueal value of property	**0**	0
Gross investment in the lease	**272**	505

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £'000	31 March 2018 £'000	**31 March 2019 £'000**	31 March 2018 £'000
Not later than one year	**100**	195	**244**	237
later than one year and not later than five years	**172**	310	**139**	345
later than five years	**0**	0	**0**	0
	272	505	**383**	582

Operating Leases

The Council owns Investment Properties to the value of £15.948m (2017/18, £15.140m). These properties include industrial units, shops and other miscellaneous properties. The Council leases these properties out and generated rental income of £0.543m during 2018/19, (2017/18, £0.517m) No depreciation is charged on investment properties.

The table below shows the projected income from operating leases as at 31 March 2019:

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	**754**	618
later than one year and not later than five years	**683**	719
later than five years	**115**	118
	1,552	1,455

Business Centres with a gross book value of £1.550m (£1.595m, 2017/18), accumulated depreciation of £0.116m (£0.094m, 2017/18) and net book value of £1.434m (£1.501m, 2017/18) are also owned by the Council. During 2018/19 lease income of £0.397m (£0.360m, 2017/18) was received from these units.

39 Defined Benefit Pension Schemes

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

Employees of North East Derbyshire District Council are admitted to the Derbyshire County Council Pension Fund (the Fund), which is administered by Derbyshire

County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The following notes on Pension Contributions do not include detailed figures for the Joint Crematorium (with the exception of the scheme history table).

The Council's Actuary, Hymans Robertson, issued a revised report on 4 July 2019 taking into account their assessment of the potential outcome of the Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judgement. This has been incorporated into the accounts.

<u>Transactions relating to Post-employment Benefits.</u>

The cost of retirement benefits is recognised in the Net Cost of Services within the Comprehensive Income & Expenditure Statement, when they are earned by the employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in the General Fund Balance in the year:

	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of Service		
Current Service cost	**3,726**	3,728
Past Service Cost	**813**	21
(Gain)/loss from settlements	**0**	0
Financing and Investment Income and Expenditure		
Net Interest Expense	**1,268**	1,255
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	**5,807**	5,004
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising: -		
Return on Plan Assets (excluding the amount included in the net interest expense)	**(3,009)**	(914)
Actuarial gains and losses arising on changes in demographic assumptions	**0**	0
Actuarial gains and losses arising on changes in financial assumptions	**8,761**	(2,719)
Other (if applicable)	**40**	(349)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**5,792**	(3,982)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	**2,946**	2,168
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers Contributions Payable to Scheme	**2,861**	2,836

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(47,971)	(49,785)
Fair value of plan assets	4,822	2,649
Sub-total	**(43,149)**	(47,136)
Other movement in the liability (asset)	(13,560)	(835)
Net Total	**(56,709)**	(47,971)

The following tables analyse the movement in the values of the schemes assets and liabilities.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2018/19 £'000	2017/18 £'000
Opening fair value of scheme assets	98,083	95,434
Interest Income	2,539	2,376
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,009	914
The effects of changes in foreign exchange rates	0	0
Employer contributions	2,861	2,836
Contributions from employees into the scheme	585	566
Benefits paid	(4,172)	(4,043)
Closing fair value of scheme assets	**102,905**	98,083

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

	2018/19 £'000	2017/18 £'000
Opening balance at 1 April	(146,054)	(145,219)
Current service cost	(3,726)	(3,728)
Interest cost	(3,807)	(3,631)
Contributions from scheme participants	(585)	(566)
Contributions in respect of unfunded benefits	0	0
Re-measurement gain/(loss):		
Actuarial gains/losses arising from changes in demographic assumptions	0	0
Actuarial gains/losses arising from changes in financial assumptions	(8,761)	2,719
Other	(40)	349
Past service cost	(813)	(21)
Liabilities assumed on entity combinations	0	0
Benefits Paid	4,172	4,043
Return on assets excluding amounts included in net interest	0	0
Liabilities extinguished in settlements	0	0
Closing Defined Benefit Obligation	(159,614)	(146,054)

Scheme History

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities	(159,614)	(146,054)	(145,219)	(123,536)	(133,439)
Fair value of assets	102,905	98,083	95,434	79,951	80,328
Scheme Surplus/(deficit)	(56,709)	(47,971)	(49,785)	(43,585)	(53,111)
Crematorium Deficit	0	0	0	0	0
Scheme Surplus/(deficit)	**(56,709)**	(47,971)	(49,785)	(43,585)	(53,111)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £54.376m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

OTHER NOTES TO THE ACCOUNTS

The local government pension scheme's assets comprised of the following:

	2018/19 £'000	2017/18 £'000
Cash and cash equivalents	**8,175**	4,712
Equity instruments by industry type:		
Consumer	**6,251**	6,305
Manufacturing	**6,494**	8,613
Energy and utilities	**4,549**	5,367
Financial institutions	**5,011**	6,790
Health and care	**3,260**	3,383
Information technology	**2,458**	2,916
Other	**10,999**	11,176
Sub-total - Equity	**39,022**	44,550
Bonds by sector:		
Corporate	**10,853**	7,727
Government	**9,587**	9,272
Other	**2,004**	1,529
Sub-total - Bonds	**22,444**	18,528
Real estate:		
UK	**8,209**	6,453
Overseas	**0**	0
Sub-total - Real Estate	**8,209**	6,453
Private equity:		
All	**2,809**	1,983
Sub-total - Private equity	**2,809**	1,983
Other investment funds:		
Equities	**18,126**	18,666
Bonds	**0**	0
Infrastructure	**4,120**	3,191
Sub-total - Other investment funds	**22,246**	21,857
Total Assets	**102,905**	**98,083**

OTHER NOTES TO THE ACCOUNTS

Basis for estimating Assets and Liabilities

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

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 4 July 2019 and take into account their assessment of the potential impact of Guaranteed Minimum Pension (GMP) equalisation and the outcome of the McCloud judegement relating to the 2014 reforms of LGPS benefit structure. The impact on liabilities is an increase of 0.3% (£0.350m) for GMP and 0.3% £0.480m) for McCloud. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The significant assumptions used by the actuary have been:

	2018/19	2017/18
Long term expected rate of return on assets in the scheme:		
Overall expected return	**7.20%**	3.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	**2.9 Yrs**	21.9 Yrs
Women	**24.4 Yrs**	24.4 Yrs
Longevity at 65 for future pensioners:		
Men	**23.9 Yrs**	23.9 Yrs
Women	**26.5 Yrs**	26.5 Yrs
Financial Assumptions:		
Rates of CPI inflation	**2.50%**	2.40%
Rate of increase in salaries	**3.00%**	2.90%
Rate of increase in pensions	**2.50%**	2.40%
Rate for discounting scheme liabilities	**2.40%**	2.60%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the defined benefit obligation in the scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	**0**	**0**
Rate of increase in salaries (increase or decrease by 0.5%)	**2,032**	**0**
Rate of increase in pensions (increase or decrease by 0.5%)	**13,680**	**0**
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	**0**	**15,973**

Within the IAS19 disclosures there is an element of unfunded benefits in respect of early retirement pension costs which amount to £1.435m at 31 March 2019, (2017/18, £1.436m). The Council makes annual payments to the local government pension scheme to cover this amount. In 2018/19 the Council paid £0.095m (2017/18, £0.094m).

The Council's contribution rate for 2018/19 was 13.7% (2017/18 13.7%).

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2016.

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

The authority is anticipated to pay £2.781m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years in 2018/19 (17.0 years 2017/18).

40 Contingent Liabilities and Assets

Municipal Mutual Limited (MMI)

The Council's former insurers Municipal Mutual Limited (MMI) ceased its underwriting operations in September 1992 and entered into a Scheme of Arrangement in 1993. The Scheme of Arrangement means that the Council is potentially liable to pay for claims settled by MMI. The Scheme of Arrangement was triggered in 2012/13 with an initial levy set at 15%. The Council paid £0.125m levy in 2012/13.The Council was subsequently notified of a further levy of 10% (£0.084m) which was paid in 2016/17.No further payments have been made in 2018/19 but the liability remains.

The Council has set aside a reserve of £0.195m to cover potential future liabilities as the possibility remains that the Scheme of Arrangement will be triggered again and the Council may be required to meet its liability in full.

Liabilities for Water Charges

As a result of a High Court decision in 2016 regards water charges to tenants, the Council may potentially be subject to claims from tenants for recovery of overpaid water charges. The nature of the arrangement is that Councils collect water rates on behalf of the water company in consideration for a fee. The recent decision challenges the relationship between local authorities and their respective water company. The Local Government Association legal advisors have supported a collective of Councils including ourselves to mitigate against potential risks. In 2016/17 Severn Trent Water served notice on the Council and the existing arrangement ceased on 31 March 2018.

At this stage, the Council has not received any claims and has not set aside balances from the HRA to cover potential liabilities due to the ongoing legal work surrounding this matter. However, the Council has an earmarked reserve for legal matters and the position regards water charges remains subject to regular review.

41 Interests in Companies

The Council has 100% interest in Rykneld Homes Limited, through the issue of a single £1 investment share, which does not impact on the Balance Sheet. The Balance Sheet includes inter-company balances of £1.181m owed to Rykneld Homes Limited and £0.067m owed by Rykneld Homes Limited.

In 2017/18 the Council entered into a joint venture with Woodhead Regeneration Ltd. Both parties purchased 50% of the shares in Northwood Group Ltd for £0.150m. Parties have equal controlling interests with 2 directors on the board. The driver for creating the company is to stimulate economic growth by delivering housing and commercial developments on Council owned land.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

2018/19

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) Income and Expenditure Statement details the major sources of income and expenditure relating to the Council's Housing Stock during the year.

2017/18 £'000			2018/19 £'000
	Expenditure		
5,191	Repairs and maintenance	5,146	
7,283	Supervision and management	7,456	
126	Rents, rates, taxes and other charges	135	
1,303	Depreciation and impairments of non-current assets	23,341	
12	Debt management costs	12	
176	Movement in the allowance for bad debt	144	
14,091		**36,234**	
	Income		
(31,543)	Dwelling rents	(31,135)	
(254)	Garage rents	(264)	
(99)	Non-dwelling rents	(105)	
(170)	Charges for services and facilities	(375)	
(204)	Contribution towards expenditure	(168)	
(32,270)		**(32,047)**	
(18,179)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account**		**4,187**
186	HRA share of Corporate and Democratic Core		185
0	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		0
(17,993)	**Net Cost of HRA Services**		**4,372**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
1,161	Gain or loss on sale of HRA non current assets		1,689
5,308	Interest payable and similar charges		5,259
(39)	Interest receivable and similar income		(80)
(1,841)	Income and expenditure in relation to investment properties and changes in their fair value		(183)
(55)	Capital Grants		(729)
(13,459)	**(Surplus) or deficit for the year on HRA services**		**10,328**

MOVEMENT ON THE HRA STATEMENT

Movement on the HRA Statement

2017/18 £'000		2018/19 £'000
(13,459)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	10,328
(10,263)	Adjustments between accounting basis and funding basis under statute	(15,753)
(23,722)	**Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:**	(5,425)
23,722	Transfer to or from reserves	5,425
0	Increase or Decrease in the year on the HRA	**0**
(3,000)	**Balance on the HRA at the end of the previous year**	**(3,000)**
(3,000)	**Balance on the HRA at the end of the current year**	**(3,000)**

Analysis of the adjustments between accounting and funding basis

2017/18 £'000		2018/19 £'000
(18,800)	Debt Repayment	0
6,372	Impairment and Revaluation of Assets	(15,415)
1,841	Change in the fair value of Investment Properties	183
0	Capital Expenditure funded by the HRA	0
(390)	REFCUS	(634)
(1,161)	Gain or loss on sale of HRA non-current assets	(1,689)
55	Capital Grants Utilised	729
(5)	Capital Grants Transfer to Capital Grant Reserve	0
1,825	Transfer to/from the Major Repairs Reserve	0
0	Exceptional Item	1,073
(10,263)		**(15,753)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Ring Fenced Housing Revenue Account

Every housing authority is required to keep a Housing Revenue Account in which is recorded the revenue income and expenditure related to the provision of council housing, including land and other buildings, as defined in Schedule 4 of the Local Government and Housing Act 1989.

The provisions of the Local Government and Housing Act 1989 effectively "ring fenced" the Housing Revenue Account as from 1st April 1990. This means that the Housing Revenue Account and General Fund - except in certain specified circumstances – are not allowed to cross subsidise each other.

2 Rent Income

The Council calculates its dwelling rents in accordance with Government guidelines and has fully complied with the requirements and practises of the national rent restructuring arrangements. The Council operates a policy of four "free" rent weeks spread throughout the year and in 2018/19 collected rent for 48 weeks. The rent free weeks fell in the Christmas and New Year period and the last two weeks in March. A 2.38% voids allowance is built into our rental budgets. Outturn against this was 2.37%.

3 Rent Arrears and Provision for Doubtful Debts

	31 March 2019	31 March 2018
Current tenant arrears	**966**	1,081
Former tenant arrears	**499**	501
Total HRA rent arrears	**1,465**	1,582
Provision for doubtful debts	**(836)**	(883)
Net HRA rent arrears	**629**	699

NOTES TO THE HOUSING REVENUE ACCOUNT

4 Non-current Assets

	31 March 2019	31 March 2018
Houses	4,729	4,814
Flats	1,182	1,174
Bungalows	1,882	1,861
Total Housing Dwelling Stock	**7,793**	7,849
	£'000	£'000
Balance Sheet Value	**352,440**	366,569

During the year, the Council disposed of 104 dwellings (77 sold through the RTB Scheme, 25 demolitions and 2 on the open market) and bought 48 council dwellings. Reserved receipts are payable to the Government for houses sold. Usable receipts are available for the Council to finance capital expenditure or repay debt. The outstanding debt on the council houses sold was repaid from the receipts received by the Council (£1.929m).

	31 March 2019 £'000	31 March 2018 £'000
Operational assets	**447**	450
Other land and buildings	**1,653**	1,977
HRA land	**6,015**	6,300
Surplus assets	**0**	0
Shared Ownership Properties	**1,587**	1,034
Total other HRA assets	**9,702**	9,761

5 Vacant Possession Value

The Council's housing stock is valued in the Balance Sheet based on the existing use value (social housing). The vacant possession value of the Council's housing stock as at 31 March 2019 was £839.143m (£872.783m at 31 March 2018). This compares against a value shown in the Balance Sheet as at 31 March 2019 of £352.440m (£366.569m as at 31 March 2018). The difference between the two values takes account of dwellings being occupied by secure tenants, in 2018/19 this is 42% (42%, 2017/18).

NOTES TO THE HOUSING REVENUE ACCOUNT

6 Revaluation/Impairment of HRA Assets

Revaluations and impairment of expenditure charged to HRA Income and Expenditure Statement on Council Dwellings and other HRA assets in the year amounted to a gain of £15.414m (2017/18 loss £6.372m). Revaluation gains on HRA Investment Properties was £0.183m in 2018/19 (2017/18, gain of £1.841m). All impairment charges relate to council dwellings.

7 Major Repairs Reserve

	2018/19 £'000	2017/18 £'000
Balance 1 April	**826**	1,523
HRA Depreciation	**7,927**	7,675
Transfer (to)/from HRA (difference between depreciation and MRA)	**1,073**	1,825
Amount used to finance capital expenditure	**(9,650)**	(10,197)
Balance Carried Forward	**176**	826

8 Financing of Capital Expenditure

Capital expenditure associated with the improvement of the Council's housing stock amounted to £12.647m. This expenditure has been financed as follows:

	31 March 2019 £'000	31 March 2018 £'000
Grants received	**729**	50
Major repairs reserve	**9,650**	10,197
Usable capital receipts	**557**	202
Prudential borrowing	**931**	3,146
Revenue contributions	**0**	0
Section 106 contributions	**0**	0
HRA capital investment reserve	**780**	17
Government grants	**0**	0
Total HRA assets	**12,647**	13,612

NOTES TO THE HOUSING REVENUE ACCOUNT

9 Capital Receipts

	2018/19 Total £'000	2018/19 Pooled £'000	2018/19 Usable £'000	2017/18 Usable £'000
Sale of council houses	4,127	1,291	2,836	3,579
Sale of other assets	786	0	786	406
Mortgage receipts	1	1	0	1
Total	**4,914**	**1,292**	**3,622**	3,986

10 Depreciation Charges

	31 March 2019 £'000	31 March 2018 £'000
Housing Dwellings	7,813	7,558
Other Operational Assets	114	117
Total Depreciation	**7,927**	7,675

Details of how depreciation is calculated can be found within note 10 to the Balance Sheet.

11 Revenue expenditure funded from capital under statute

The Council's Net Cost of HRA Services includes expenditure of £0.634m that is associated with capital projects which did not result in an asset owned by the Council or could be allocated to a specific non-current asset. Of this figure there is £0.551m for work on communal flats, £0.016m for demolition costs and £0.067m for other expenditure.

12 Pension Transfer to Rykneld Homes Limited

The Council has agreed to meet the past service deficit attributable to those scheme members that transferred to Rykneld Homes on 1 April 2007. The cost is being paid over a 22 year period commencing in 2008/09. The cost is charged to the HRA on an annual basis. The cost in 2018/19 is £0.670m (2017/18, £0.641m) and the total liability outstanding is £9.758m. This is included within the pension deficit figure shown on the Balance Sheet.

13 Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme. Approximately 48.6% of the Council's tenants received some help towards the cost of rent charges in 2018/19 (54% for 2017/18).

NOTES TO THE HOUSING REVENUE ACCOUNT

14 HRA Debt Repayment Reserve

The introduction of self-financing to the Housing Revenue Account in 2012 meant the Council had to borrow £127.090m from the Public Works Loans Board to cover the balance of the settlement payment.

The loans of £127.090m were taken out with varying maturity dates ranging from 12 years to 35 years with the final repayment date of the loans being the 2046/47 financial year.

This reserve has been created to meet the repayments of the loans as they become due and is included in the Balance Sheet within earmarked reserves.

	2018/19 £'000	2017/18 £'000
Balance B/fwd 1st April	**(23,100)**	0
Transferred to Reserve in year	**(4,300)**	0
Transferred to Reserve in year from Capital Adjustment Account	**0**	(23,100)
Repayment of debt from the reserve in year	**0**	0
Balance as at 31st March	**(27,400)**	(23,100)

15 Exceptional Item

There are no exceptional items to be disclosed during 2018/19.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2017/18				2018/19		
Business Rates £'000	Council Tax £'000	Total £'000		**Business Rates £'000**	**Council Tax £'000**	**Total £'000**
			INCOME			
-	(53,711)	(53,711)	Council Tax Receivable	**-**	**(56,870)**	**(56,870)**
(17,409)	-	(17,409)	Business Rates Receivable	**(16,166)**	**-**	**(16,166)**
(766)	-	(766)	Transitional Protection Payment	**(603)**	**-**	**(603)**
			Apportionment of Previous Year Deficit			
(799)	0	(799)	Central Government	**(609)**	**0**	**(609)**
(639)	0	(639)	North East Derbyshire District Council	**(487)**	**0**	**(487)**
(144)	0	(144)	Derbyshire County Council	**(110)**	**0**	**(110)**
(16)	0	(16)	Fire Authority	**(12)**	**0**	**(12)**
(19,773)	(53,711)	(73,484)		**(17,987)**	**(56,870)**	**(74,857)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus			
0	-	0	Central Government	**0**	**-**	**0**
0	106	106	North East Derbyshire District Council	**0**	**163**	**163**
0	427	427	Derbyshire County Council	**0**	**655**	**655**
0	27	27	Fire Authority	**0**	**41**	**41**
-	66	66	Derbyshire Police & Crime Commissioner	**-**	**102**	**102**
0	626	626		**0**	**961**	**961**
			Precepts, Demands and Shares			
8,371	-	8,371	Central Government	**0**	**-**	**0**
6,697	8,482	15,179	North East Derbyshire District Council	**8,654**	**8,767**	**17,421**
1,507	36,571	38,078	Derbyshire County Council	**8,481**	**38,999**	**47,480**
167	2,191	2,358	Fire Authority	**173**	**2,291**	**2,464**
-	5,451	5,451	Derbyshire Police & Crime Commissioner	**-**	**5,904**	**5,904**
16,742	52,695	69,437		**17,308**	**55,961**	**73,269**
			Charges to Collection Fund			
77	179	256	Write offs of uncollectable amounts	**153**	**204**	**357**
(14)	144	130	Increase (Decrease) in Bad Debt Provision	**(175)**	**131**	**(44)**
2,949	-	2,949	Increase (Decrease) in Appeals	**(296)**	**-**	**(296)**
98	-	98	Cost of Collection	**100**	**-**	**100**
3,110	323	3,433		**(218)**	**335**	**117**
79	(67)	12	Movement on fund balance during the year	**(897)**	**387**	**(510)**
1,906	(1,810)	96	(Surplus)/Deficit B/fwd 1 April	**1,985**	**(1,877)**	**108**
1,985	(1,877)	108	(Surplus)/Deficit B/fwd 31 March	**1,088**	**(1,490)**	**(402)**

The District Council precept and Council Tax contribution includes Parish Councils' requirements of £3.053m (2017/18 £2.966m).

NOTES TO THE COLLECTION FUND

1 General

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

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

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is shown as a separate statement in the Council's Statement of Accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

Council Tax

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For NEDDC, the Council Tax precepting bodies are Derbyshire County Council, the Police and Crime Commissioner for Derbyshire and the Derbyshire Fire Authority.

NNDR

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The NEDDC share is 40% with the remainder paid to precepting bodies; Central Government (50% share), Derbyshire County Council (9% share) and Derbyshire Fire Authority (1% share).

The total non domestic rateable value for 2018/19 was £46.163m (£45.336m for 2017/18). The general national non-domestic multiplier for the year was 49.3p (47.9p in 2017/18). The small business non-domestic multiplier for the year was 48.0p (46.6p in 2017/18).

As part of the above scheme, all local authorities were given the opportunity to form a business rates pool. With effect from 1 April 2015, the Council became a member of the Derbyshire Business Rates Pool. In 2018/19 the Derbyshire Pool was awarded "pilot" status allowing 100% retention of growth for the year.

NNDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

2 Council Tax Yield

The Council Tax Base is calculated each year as the estimated Band D equivalent number of dwellings in the Council's area for the year after taking into account any discounts. For 2018/19 the calculation was as follows:

Council Tax Band	**2018/19 Number of Band D Equivalents (adjusted for discounts)**	2017/18 Number of Band D Equivalents (adjusted for discounts)
A	**8,053.02**	7,964.43
B	**5,816.66**	5,737.13
C	**5,827.10**	5,719.70
D	**4,379.37**	4,267.27
E	**3,245.52**	3,212.41
F	**1,948.15**	1,911.59
G	**1,284.64**	1,271.56
H	**102.13**	98.69
	30,656.59	**30,182.78**

3 Business Rates

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office multiplied by a uniform business rate set nationally by Central Government. Prior to March 2013 the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding.
From 1 April 2015, the Council became a member of the Derbyshire Pool. Under its accounting arrangements, the Council pays a levy to the pool and receives a redistribution of growth back from the pool at the end of each financial year. However for 2018/19 the Derbyshire Pool was awarded “pilot” status allowing 100%

retention of business rates growth. Therefore no levy was payable in 2018/19. The redistributed growth received was £1.830m

In addition to the local management of business rates, authorities are expected to meet their share of the cost of appeals made in respect of rateable values as defined by the Valuation Office. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares.

4 Breakdown of Collection Fund (Surplus) /Deficit

At 31st March 2019 there was a surplus on the Collection Fund amounting to £0.402m (2017/18 deficit £0.108m). The breakdown of this figure between the preceptors and NEDDC is:

Council Tax 31 March 2018 £'000	Business Rates 31 March 2018 £'000		**Council Tax 31 March 2019 £'000**	**Business Rates 31st March 2019 £'000**
(302)	794	North East Derbyshire District Council	**(243)**	**467**
(1,299)	179	Derbyshire County Council	**(1,021)**	**226**
(198)	-	Derbyshire Police & Crime Commissioner	**(162)**	**-**
(78)	20	Fire Authority	**(64)**	**12**
-	992	Central Government	**-**	**383**
(1,877)	1,985		**(1,490)**	**1,088**

These amounts are included in the Balance Sheet and will be paid to the named authorities in 2019/20 and future years.

GROUP ACCOUNTS

2018/19

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	**Total NEDDC Reserves £'000**	RHL Reserves £'000	**Total Group Reserves £'000**
Balance at 31 March 2018	45,359	172,512	**217,871**	(9,101)	**208,770**
Movement in Reserves during 2018/19:					
Total Comprehensive Income and Expenditure	(10,456)	(3,327)	**(13,783)**	(4,097)	**(17,880)**
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	18,601	(18,601)	**0**	0	**0**
Increase or (decrease) in 2018/19	8,145	(21,928)	**(13,783)**	(4,097)	**(17,880)**
Balance at 31 March 2019	53,504	150,584	**204,088**	(13,198)	**190,890**

GROUP MOVEMENT IN RESERVES STATEMENT

2017/18	NEDDC Usable Reserves £'000	NEDDC Unusable Reserves £'000	**Total NEDDC Reserves £'000**	RHL Reserves £'000	**Total Group Reserves £'000**
Balance at 31 March 2017	19,495	171,414	**190,909**	(8,974)	**181,935**
Movement in Reserves during 2017/18:					
Total Comprehensive Income and Expenditure	10,972	15,990	**26,962**	(127)	**26,835**
Adjustments from I&E charged under the accounting basis to the funding basis under regulation	14,892	(14,892)	**0**	0	**0**
Increase or (decrease) in 2017/18	25,864	1,098	**26,962**	(127)	**26,835**
Balance at 31 March 2018	**45,359**	**172,512**	**217,871**	**(9,101)**	**208,770**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
7,622	(3,379)	4,243	Places Directorate	8,200	(3,192)	**5,008**
40,754	(31,832)	8,922	People Directorate	38,976	(30,023)	**8,953**
48,376	(35,211)	13,165	**Cost Of General Fund Services**	**47,176**	**(33,215)**	**13,961**
4,196	(32,259)	(28,063)	Housing Revenue Account	26,489	(32,037)	**(5,548)**
0	0	0	HRA Exceptional Item	0	0	**0**
10,620	(110)	10,510	Operating Costs of Rykneld Homes	9,749	(2,021)	**7,728**
63,192	(67,580)	(4,388)	**Cost of All Services**	**83,414**	**(67,273)**	**16,141**
		4,614	Other Operating Expenditure			**6,116**
		4,521	Financing and Investment Income and Expenditure			**5,633**
		0	Surplus or Deficit of Discontinued Operations			**0**
		(14,007)	Taxation and Non-Specific Grant Income			**(16,465)**
		(9,260)	**(Surplus) or Deficit on Provision of Services**			**11,425**
		(12,007)	(Surplus) or Deficit on Revaluation of Fixed Assets			**(2,465)**
		0	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			**0**
		(5,568)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			**8,920**
		(17,575)	**Other Comprehensive Income and Expenditure**			**6,455**
		(26,835)	**Total Comprehensive Income and Expenditure**			**17,880**

GROUP BALANCE SHEET

31 March 2018 £'000		Note	31 March 2019 £'000
393,232	Property, Plant & Equipment		**377,695**
58	Heritage Assets		**58**
15,140	Investment Property		**15,948**
72	Intangible Assets		**34**
5,561	Long Term Debtors		**4,696**
414,063	**Long Term Assets**		**398,431**
0	Assets Held for Sale		**0**
962	Inventories		**275**
6,272	Short Term Debtors		**6,407**
14,854	Cash and Cash Equivalents		**22,042**
22,088	**Current Assets**		**28,724**
0	Cash and Cash Equivalents		**0**
(3,549)	Short Term Borrowing		**(1,540)**
(7,617)	Short Term Creditors		**(6,658)**
(1,628)	Provisions (short term)		**(1,878)**
(12,794)	**Current Liabilities**		**(10,076)**
0	Long Term Creditors		**0**
0	Provisions		**0**
(156,313)	Long Term Borrowing		**(154,009)**
(58,274)	Other Long Term Liabilities		**(72,180)**
(214,587)	**Long Term Liabilities**		**(226,189)**
208,770	**Net Assets**		**190,890**
(45,608)	**Usable Reserves**		**(54,313)**
(163,162)	**Unusable Reserves**		**(136,577)**
(208,770)	**Total Reserves**		**(190,890)**

GROUP CASH FLOW STATEMENT

2017/18		2018/19
£'000		**£'000**
9,260	Net (surplus) or deficit on the provision of services	**(11,425)**
10,815	Adjustment to surplus or deficit on the provision of services for noncash movements	**35,747**
4,533	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(16,940)**
24,608	Net Cash flows from operating activities	**7,382**
(21,669)	Investing Activities	**4,324**
451	Financing Activities	**(4,518)**
3,390	Net (increase) or decrease in cash and cash equivalents	**7,188**
11,464	Cash and cash equivalents at the beginning of the reporting period	**14,854**
14,854	**Cash and cash equivalents at the end of the reporting period**	**22,042**

NOTES TO THE GROUP ACCOUNTS

1 Rykneld Homes Limited

North East Derbyshire District Council (NEDDC) set up a wholly owned subsidiary company, Rykneld Homes Limited (RHL), on 1 April 2007 to manage its housing stock. The Company was established as an Arms Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management.

NEDDC pay Rykneld Homes Limited an agreed management fee to undertake the management and maintenance of 7,793 Council owned homes in North East Derbyshire. NEDDC is the only shareholder but it allows Rykneld Homes Limited to operate independently on day to day matters. Four representatives of the Council sit on the Board of Rykneld Homes Limited as Council nominees.

Within the group accounts the setting up of a subsidiary is treated as an acquisition (IAS 27). As NEDDC set up Rykneld Homes Limited as a subsidiary there was no consideration paid for the company. All set up costs have been paid for by NEDDC and there were no assets acquired or transferred between the two organisations.

2 Accounting Policies

The Accounting Policies of the two organisations have been examined for any fundamental differences that may impact on the treatment of the group accounts. The accounting policies used to produce the financial statements of Rykneld Homes Limited do not differ materially from those utilised by NEDDC and as such have no impact upon the Group Accounts produced above.

3 Retained Surplus / Deficit

In 2018/19 Rykneld Homes Limited made a loss of £0.969m (2017/18 loss of £1.713m).

4 Post Consolidation Adjustment

There are no post consolidation adjustments during the current financial year.

5 Pensions

Employees of North East Derbyshire District Council and Rykneld Homes Limited are admitted to the Derbyshire County Council pension fund which is administered under the regulations governing Local Government Pension Schemes.

The following transactions have been made in the group Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in the year.

	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of Service		
Current Service cost	**5,920**	5,982
Past Service Cost	**813**	131
(Gain)/loss from settlements	**0**	0
Financing and Investment Income and Expenditure		
Net Interest Expense	**1,537**	1,516
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	**8,270**	7,629
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising: -		
Return on Plan Assets (excluding the amount included in the net interest expense)	**(5,172)**	(1,310)
Actuarial gains and losses arising on changes in demographic assumptions	**0**	0
Actuarial gains and losses arising on changes in financial assumptions	**14,052**	(3,909)
Other (if applicable)	**40**	(349)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**8,920**	(5,568)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2018/19 £'000	2017/18 £'000
Opening fair value of scheme assets	**145,774**	141,202
Interest Income	**3,829**	3,569
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	**5,172**	1,310
The effects of changes in foreign exchange rates	**0**	0
Employer contributions	**3,796**	3,884
Contributions from employees into the scheme	**959**	941
Benefits paid	**(5,251)**	(5,132)
Other	**0**	0
Closing fair value of scheme assets	**154,279**	145,774

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

	2018/19 £'000	2017/18 £'000
Opening balance at 1 April	**(203,096)**	(200,347)
Current service cost	**(5,920)**	(5,982)
Interest cost	**(5,366)**	(5,085)
Contributions from scheme participants	**(959)**	(941)
Contributions in respect of unfunded benefits	**0**	0
Re-measurement gain/(loss):		
Actuarial gains/losses arising from changes in demographic assumptions	**0**	0
Actuarial gains/losses arising from changes in financial assumptions	**(14,052)**	3,909
Other	**(40)**	349
Past service cost	**(813)**	(131)
Losses/(gains) on curtailment	**0**	0
Liabilities assumed on entity combinations	**0**	0
Benefits Paid	**5,251**	5,132
Return on assets excluding amounnts included in net interest	**0**	0
Liabilities extinguished in settlements	**0**	0
Closing Defined Benefit Obligation	**(224,995)**	(203,096)

Scheme History

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities	**(224,995)**	(203,096)	(200,347)	(169,760)	(181,675)
Fair value of assets	**154,279**	145,774	141,202	119,353	119,179
Scheme Surplus/(deficit)	**(70,716)**	(57,322)	(59,145)	(50,407)	(62,496)
Crematorium Deficit	**0**	0	0	0	0
Scheme Surplus/(deficit)	**(70,716)**	(57,322)	(59,145)	(50,407)	(62,496)

The basis for estimating assets and liabilities for the group is the same as for North East Derbyshire District Council, as detailed in note 39 to the single entity financial statements.

6 Related Party Transactions

North East Derbyshire District Council paid Rykneld Homes Limited a total amount of £20.358m (2017/18, £24.435m) made up of net management fee of £9.902m (2017/18, £9.902m) to undertake the management and maintenance function of the Council's housing stock, the Council made no loans during 2018/19 (2017/18, £2.071m), other transactions amounting to £0.125m (2017/18, £0.563m) and £10.331m (2017/18, £11.899m) for capital works to the Council's housing stock.

Rykneld Homes Limited purchased goods and services from the Council to the value of £2.530m (2017/18 £1.198m).

7 Inter-organisation Balances

The Group Accounts require that inter-organisation balances be removed. The table below shows the reconciliation of inter organisation debtors and creditors for 2018/19.

	NEDDC Balance Sheet £'000	RHL Balance Sheet £'000	NEDDC IOB £'000	RHL IOB £'000	Total £'000
Short Term Debtors	6,156	1,599	(100)	(1,248)	6,407
Short Term Creditors	(5,729)	(2,277)	1,248	100	(6,658)
	427	(678)	1,148	(1,148)	(251)

At 31 March 2019, Rykneld Homes Limited owed the Council £0.067m for goods and services received while the Council owed Rykneld Homes Limited £1.181m for goods and services received. The majority of this is in relation to the capital programme.

8 The Statement of Accounts for Rykneld Homes Limited can be obtained from

Rykneld Homes Limited
Pioneer House
Mill Lane
Wingerworth
Chesterfield
Derbyshire
S42 6NT

GLOSSARY

ACCRUAL

A sum included in the Final Accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ASSET

An asset is an item having value measurable in monetary terms. Assets can be defined as fixed or current. A fixed asset has a value for more than one year (for example a building or a long-term investment). A current asset can be readily converted into cash (for example stocks or a short-term debtor).

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BILLING AUTHORITY

A local authority that has the power to set and collect council tax.

BUDGET

The spending plans of the Authority over a specific period of time - generally the financial year, 1st April to 31 March.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of using fixed assets in the provision of services.

CAPITAL EXPENDITURE

Expenditure to acquire or enhance fixed assets that will be used to provide services beyond the current financial year.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants or contributions from third parties, or direct from revenue budgets.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specified period of time.

GLOSSARY

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

CODE

The Code refers to the Code of Practice on Local Authority Accounting. The way in which the statement of accounts is produced is outlined within the Code.

COLLECTION FUND

A separate fund to record the expenditure and income relating to council tax, non-domestic rates and residual community charges.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are paintings and civic regalia.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

CONTINGENT LIABILITY

Potential losses from a future event where a liability may exist.

COUNCIL TAX

The local tax that pays for a proportion of council services.

COUNCIL TAX BENEFIT

Help provided to people on low incomes to assist them to pay their council tax bills.

CREDITOR

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

GLOSSARY

CURRENT EXPENDITURE

This is the general term for “running costs” including employee costs and running expenses but not debt charges.

DEBTOR

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been received by the end of that period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

(A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits)

DEPRECIATION

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

FINANCIAL REPORTING STANDARD (FRS) AND STATEMENTS OF STANDARD ACCOUNTING PRACTICES (SSAP)

These cover particular aspects of accounting practice, and set out the correct accounting treatment – for example, of depreciation. FRS’s are issued by, and SSAP’s have been adopted by, the Accounting Standards Board.

GENERAL FUND

This is the main revenue account from which revenue payments are made to meet the costs of providing services.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

GLOSSARY

HOUSING ADVANCES

Loans made by an authority to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings. Loans made to individuals are termed mortgages.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account, that includes all the expenditure and income arising from the provision of council housing by the Authority.

IFRS

IFRS refers to the International Financial Reporting Standards by which the Council must comply with when producing the statement of accounts.

IMPAIRMENT

In accordance with FRS11, Impairment of Fixed Assets and Goodwill, impairment is a permanent decrease in the recoverable amount of a fixed asset below its carrying amount. The 'recoverable amount' is the higher of:

- net realisable value [disposal proceeds less direct selling costs];
- value in use — the present value of the future cash flows obtainable as a result of the continued use of the asset, including its ultimate disposal.

INCOME

Amounts which the Council receives or expects to receive from any source, including rents, fees, charges, sales and grants.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council, which are not readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

LIABILITY

An amount owed by the Authority, which will be paid at some time in the future.

MAJOR REPAIRS ALLOWANCE (MRA)

The major repairs allowance forms part of the housing subsidy calculation. It is an allowance given to the Council based on the number of dwellings to finance capital expenditure on council dwellings.

MAJOR REPAIRS RESERVE (MRR)

The major repairs reserve is where the major repairs allowances transactions are processed and any balance carried forward.

MINIMUM REVENUE PROVISION (MRP)

The minimum revenue provision is the amount of debt repayment made based on the life of the asset.

NON-DOMESTIC RATE (NDR)

The Non-Domestic Rate is a standard rate in the pound set by the Government on the assessed rateable value of business properties.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A type of lease, where the ownership of the asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held by the Authority and directly occupied or used in the delivery of its services.

PRECEPT

The levy made by precepting authorities on billing authorities. Derbyshire County Council, Derbyshire Fire Authority and Derbyshire Police Authority levy a precept on the District Council.

PROVISION

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- 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.

The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events and should be regularly reviewed.

GLOSSARY

PRUDENCE

The concept that revenue is not anticipated but recognised only when realised or reasonably certain to be realised.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

RATEABLE VALUE

The annual assumed rental value of a property, which is used for business rate purposes.

REFFCUS (Revenue expenditure funded from capital under statute)

Capital expenditure which is of benefit beyond the current accounting period, but which does not result in a tangible fixed asset to the Authority. An example of a deferred charge would be capital expenditure on improvement grants.

RESERVES

Surpluses and deficits which have been accumulated over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Fixed Asset Restatement Reserve cannot be used to meet current expenditure.

REVENUE ACCOUNT

The main account of the Authority into which grants and other income is paid and from which the cost of providing services is met.

REVENUE EXPENDITURE

The day to day expenses of providing services.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the cost of services.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

The SORP, issued by CIPFA in accordance with the Accounting Standards Board, governs the way local authorities must produce their financial statements and report their spending and income.

STOCKS

Comprise the following categories: goods and other assets purchased for resale; consumable stores; long term contract balances and finished goods.

TEMPORARY LOAN

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as charities and specific projects.

AUDITOR'S REPORT

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Medium Term Financial Plan – Financial Outturn 2018/19

Report of the Chief Accountant

This report is public

Purpose of the Report

- To provide, for information to the Audit and Corporate Governance Scrutiny Committee, the attached report concerning the Financial Outturn 2018/19 which was noted by Cabinet on 13 June 2019.

1 Report Details

1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning the Council's financial position.

1.2 The report attached as **Appendix 1** was noted by the Council's Cabinet on 13 June 2019.

2 Conclusions and Reasons for Recommendation

2.1 These are detailed in the attached report.

2.2 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the Council's latest financial outturn position.

3 Consultation and Equality Impact

Consultation

3.1 These are detailed in the attached report.

Equalities

3.2 These are detailed in the attached report.

4 Alternative Options and Reasons for Rejection

4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

Financial
These are detailed in the attached report.

Risk

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

6.1 That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which was noted by Cabinet on 13 June 2019.

7 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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☑ *Capital - £250,000* ☑ ** Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title	
1	Cabinet Report 13 June 2019	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
Report Author		**Contact Number**
Jayne Dethick – Chief Accountant		01246 217078

AGIN 8(b)0725) 2019 – MTFP Financial Outturn

Appendix 1

North East Derbyshire District Council

Cabinet

13 June 2019

Medium Term Financial Plan - Financial Outturn 2018/19

Report of Councillor P Parkin, Portfolio Holder with Responsibility for Finance

This report is public

Purpose of the Report

To inform Cabinet of the outturn position of the Council for the 2018/19 financial year.

1 Report Details

1.1 The Council published its draft Statement of Accounts in respect of 2018/19 on 21 May 2019, in line with the statutory deadline of 31 May 2019. The draft Statement of Accounts 2018/19 is now subject to the independent audit from the Council's external auditors, Mazars. Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. It is anticipated that the external audit will be completed during June in order to allow the final audited accounts to be reported to and approved by the Audit & Corporate Governance Scrutiny Committee at its meeting of 25 July 2019.

1.2 International Financial Reporting Standards (IFRS) dictates that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.

1.3 The following sections of this report will consider the 2018/19 outturn position in respect of the General Fund, Housing Revenue Account (HRA), Capital Programme and Treasury Management activities. Within the report, consideration is given to the level of balances at the year end and the impact which the closing position has upon the Council's budgets in respect of the current financial year.

General Fund

1.4 The position in respect of the General Fund outturn is detailed in **Appendix 1** attached to this report. The appendix shows the Original Budget that was set in February 2018, together with the Current Budget compared to the final Outturn position. The main variances against the current budget are shown in Table 1 below with variances at service level shown in Appendix 2.

Table 1

	£000
Vacancy management	(176)
Vehicle related costs	(50)
Efficiencies from supplies and services	(218)
Additional income from rents/services	(117)
In year adjustment to bad debt provisions	(87)
Miscellaneous variances	21
Net cost of services	**(627)**
Investment property income	(46)
Income from interest	(132)
NNDR growth	(314)
Variance before movements to reserves	**(1119)**
Transfer to NNDR growth reserve	314
Transfer to Planning Appeals reserve	300
Final Variance	**(505)**
Contribution to Invest to Save - Outturn	**505**

1.5 Two budgets have been identified for which there is a requirement to roll over into 2019/20. The first is for the purchase of mowers that should have arrived by 31 March but a delay in the supply chain meant they weren't received on time. The second is for the installation of hearing loops in the Council Chamber which was scheduled for completion before 31 March but has been slightly delayed. The total amount to be rolled over is £0.016m.

Financial Reserves

1.6 Transfers from Earmarked Reserves

The use of earmarked reserves in 2018/19 was £0.726m comprising:

- £0.263m from revenue grants
- £0.182m from earmarked reserves
- £0.281m from the Invest to Save Reserve. Of this £0.155m related to the cost of defending planning appeals.

There are ongoing commitments against these reserves in 2019/20 and future years so will continue to be utilised.

1.7 Transfers to Earmarked Reserves

There have been transfers to earmarked reserves during 2018/19 totalling £3.587m. This comprises:

- £0.805m in revenue grants received.
- £1.977m into earmarked reserves. Of this £1.830m relates to business rates growth as a result of being in the pilot during 2018/19 and £0.105m relates to the statutory ring fence of planning fees for reinvesting into the planning service.
- £0.300m additional contribution to earmarked reserves to cover the commitment for the cost of defending planning appeals in 2019/20.
- A contribution of £0.505m to the Invest to Save Reserve from the in year surplus generated.

1.8 The Invest to Save Reserve has a balance at the end of the year of £4.204m. Commitments already made against this reserve for 2019/20 and future years amount to £1.321m leaving £2.883m uncommitted.

1.9 There are ongoing commitments against the earmarked reserves which will continue in 2019/20 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

General Fund Balances

1.10 The level of General Fund Balances has been maintained at £2.00m. The General Fund balances are considered to be at an acceptable level rather than generous. The General Fund balance needs to be considered against the background of ongoing reductions in the level of Government funding together with the range of risks facing the Council. Current practice is to transfer any savings into the Invest to Save Reserve on the basis that these are available to support investment in cost reduction/income growth. This reflects the Council's "pro active" approach to addressing the financial challenges which it faces. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets in order to safeguard both its reserves and its financial sustainability.

1.11 Given the current level of general balances, should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating at a lower level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. However, Cabinet will recognise that given a level of General Fund Balances of £2.00m, against the requirement to secure substantial savings by 2022/23, as identified in the Medium Term Financial Plan (MTFP) of

February 2019, the need to continue to tackle the underlying forecast budget deficit remains.

1.12 The main feature of the 2018/19 financial year is that the Council successfully achieved in full the savings target of £0.434m (MTFP February 2018). Further efficiencies of £0.505m have been identified at Outturn and have been transferred to the Invest to Save Reserve.

1.13 With regard to the underlying favourable variance on the General Fund in 2018/19, it is proposed that a base budget review be carried out during 2019/20. The intention is to identify ongoing expenditure budget savings or additional income levels from 2018/19 that are anticipated to be available in 2019/20 and future years to ease the current budget shortfalls in the current MTFP as shown in Table 2 below. The results will be reported back to Cabinet with the request to approve any proposed budget adjustments as required.

Table 2

	2019/20 Budget £000	**2020/21 Budget £000**	**2021/22 Budget £000**	**2022/23 Budget £000**
Budget Shortfall - MTFP Feb 2019	871	1,769	2,399	2,783
Efficiencies identified to date (removed from budget)	(101)	(101)	(101)	(101)
Current Budget Shortfall	**770**	**1,668**	**2,298**	**2,682**
Efficiencies Identified not yet realised	(323)	(323)	(323)	(323)
Target Budget Shortfall	447	1,345	1,975	2,359

Housing Revenue Account (HRA)

1.14 The Housing Revenue Account is provided in **Appendix 3** to this report. The figures provided include all the statutory accounting transactions that the Council is required to make within the Statement of Accounts. These are accounting transactions which net off to zero and are not included within the HRA management budgets as they do not impact on the overall financial position or balances of the HRA. To allow comparison between budget and outturn these accounting adjustments are included within both the adjusted budget and outturn position.

1.15 The Housing Revenue Account position shows a number of relatively minor variances during the year. Income is just £0.010m below budget. The overall expenditure position is £0.153m below the current budget due to minor variances in repairs and maintenance and supervision and management. There is also a reduction in the provision for bad debts of £0.106m due to better than forecast collection rates. This gives a net cost of services under spend of £0.143m, adjusting to £0.148m after interest. A contribution of £1.075m has been made to the Development Reserve which is available to sustain the Council’s housing stock.

1.16 The HRA balance is being maintained at £3m in line with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants. Given the changes to the rent setting process together with the increasing numbers of houses lost under Right to Buy the Council and Rykneld Homes will need to continue to work closely together in order to ensure the continued sustainability of the HRA over the life of the 30 year Business Plan.

1.17 It is also proposed to perform a base budget review of the HRA during 2019/20 to identify ongoing expenditure budget savings or additional income levels from 2018/19 that are anticipated to be available in 2019/20 and future years. As with the General Fund, the results will be reported back to Cabinet with the request to approve any proposed budget adjustments.

Capital Investment Programme

1.17 Details of the capital expenditure incurred by the Council in 2018/19 on a scheme by scheme basis is provided in **Appendix 4**

The Capital Programme may be summarised as follows:-

	Current Programme £’000	Outturn £’000	Variance £’000
Housing Investment Programme	9,606	9,720	114
North Wingfield New Build	1,977	1,780	(197)
Stock Purchase Scheme	1,482	927	(555)
Other	2,014	594	(1,420)
HRA Total	**15,079**	**13,021**	**(2,058)**
Eckington Sports Centre Roof	270	0	(270)
Vehicle Replacement	1,138	315	(823)
S106 schemes	839	839	0
Other Capital Schemes	752	539	(213)
General Fund Total	**2,999**	**1,693**	**(1,306)**
Programme Total	**18,078**	**14,714**	**(3,364)**

1.18 <u>HRA Schemes</u>

The housing investment programme was utilised in full during 2018/19 and the new build scheme at North Wingfield was predominantly completed with just a small amount of work to be finalised in 2019/20. The slippage on the stock purchase scheme is all committed and will be utilised early in 2019/20.

1.19 General Fund

The General Fund element of the Capital Programme during 2018/19 was relatively limited. The vehicle replacement scheme shows a variance of £0.823m which is being carried forward to fund the purchase of vehicles in the new financial year. The other main variance of note relates to Eckington Sports Centre Roof refurbishment which will be completed in 2019/20.

1.20 Appendix 4 also details the proposed carry forward amounts to 2019/20. These requests relate to individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed. The total amounts to £3.087m with the impact on the 2019/20 capital programme detailed in the appendix. It should be noted that all these expenditure requirements will take forward a corresponding level of financial resources and thus have a neutral impact on the financial position in 2019/20.

Capital Financing

1.21 The Capital Programme was financed as follows:-

	Revised Budget £000's	**Outturn £000's**	**Variance £000's**
HRA:			
Capital Grants	(730)	(729)	(1)
Major Repairs Reserve	(9,536)	(9,650)	(114)
HRA Capital Investment Reserve	(1,146)	(780)	366
Prudential Borrowing	(1,942)	(931)	1,011
Disabled Facilities Grant	(669)	(354)	315
Usable Capital Receipts	(1,056)	(577)	479
Total HRA	**(15,079)**	**(13,021)**	**2058**
General Fund:			
Prudential Borrowing	(1,408)	(315)	1,093
Capital Grants	(892)	(839)	53
Usable Capital Receipts	(544)	(449)	95
Direct from Revenue Contributions	(155)	(90)	65
Total General Fund	**(2,999)**	**(1,693)**	**1,306**
Grand Total	**(18,078)**	**(14,714)**	**3,364**

HRA Capital Financing

1.22 Officers have financed the HRA Capital Programme from a combination of capital receipts, revenue contributions, use of reserves and grants.

General Fund Capital Financing

1.23 Officers have financed the General Fund Capital Programme from a combination of capital receipts, revenue contributions, prudential borrowing and grants. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in February 2018.

Treasury Management

1.24 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2018/19. In summary the Council operated throughout 2018/19 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy as approved by the Council in February 2018.

1.25 The key points from the summary report are:

- The overall borrowing requirement of the Council was £183.9m at 31 March 2019.
- The PWLB debt is £150.85m
- Effective internal borrowing is £33m
- No new PWLB borrowing was undertaken in 2018/19
- PWLB interest paid in 2018/19 was £5.4m
- Interest received on investments was £0.135m
- Repaid PWLB debt in year of £3.3m

2 Conclusions and Reasons for Recommendation

2.1 General Fund

During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. In particular the Council successfully met its financial savings target of £0.434m. A further contribution of £0.505m has been made to the Invest to Save Reserve from efficiencies identified at Outturn. The improved outturn position has allowed the Council to set aside earmarked reserves to meet contractual commitments and to address some of the key issues and potential liabilities it is facing. The Invest to Save Reserve, which is the Council's only general earmarked reserve, has commitments against it in 2019/20 so continued prudence is needed when committing against this reserve. Two budgets have been identified for rollover into 2019/20 totalling £0.016m

2.2 HRA

The HRA continues to operate within the parameters set by the 30 Year Business Plan and the MTFP. Officers will be working with Rykneld Homes to ensure that the Business Plan continues to reflect the impact of recent government legislation, and that the HRA remains sustainable over the 30 year period of the Business Plan.

2.3 Capital Programme

The Capital Programme saw good progress on approved schemes during the 2018/19 financial year. There are, however, a limited number of schemes which are work in progress and this requires that the associated expenditure and funding be carried forward into the 2019/20 financial year.

2.4 Capital Financing

Capital expenditure during 2018/19 has been fully financed in line with the approved programme.

2.5 Treasury Management

The Council operated in line with its agreed Treasury Management Strategy during the 2018/19 financial year. This ensures that lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council. Effective management of these arrangements ensured that interest costs during the year were minimised in order to assist the Council's revenue position whilst interest receivable rose.

3 Consultation and Equality Impact

3.1 The report has no direct implications for Consultation or Equality issues.

4 Alternative Options and Reasons for Rejection

4.1 The financial outturn report for 2018/19 is primarily a factual report detailing the actual position compared to previously approved budgets therefore there are no alternative options that need to be considered.

4.2 The allocation of resources to earmarked reserve accounts has been undertaken in line with the Council's policy and service delivery framework and in the light of the risks and issues facing the Council over the period of the current MTFP. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserves will be reassessed and returned to balances where appropriate.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The financial implications are set out within the body of the report.

5.1.2 Members should note that the budgets against which we have monitored the 2018/19 outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management.

5.1.3 The issue of financial risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows the budget has been balanced in 2018/19 and the level of reserves protected.

5.1.4 While the Council has effectively addressed its Strategic Financial Risks during 2018/19 it needs to be recognised that it will need to continue to meet a range of challenging savings targets if it is to operate effectively within the financial environment established by Central Government spending targets. The success of the Council's approach remains reliant on the ability to utilise the Invest to Save Reserve to secure reductions in the costs of operating existing services. If this approach cannot balance the budget in future years then it will be necessary to look more closely at service priorities in the future.

5.2 Legal Implications including Data Protection

5.2.1 The Statement of Accounts is required to be prepared and audited by the 31 July each year. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 21 May 2019 which secures compliance with the Council's obligations.

5.3 Human Resources Implications

5.3.1 There are no Human Resources issues arising directly from this report.

6 Recommendations

6.1 That Members note the outturn position in respect of the 2018/19 financial year

6.2 That the Strategic Director People, in consultation with the Cabinet Member for Finance, develops proposals for a base budget review of the General Fund and Housing Revenue Account.

6.3 That Members approve the proposed carry forward of revenue budgets as detailed in 2.2 above totalling £0.016m.

6.4 That Members approve the proposed carry forward of capital budgets detailed in Appendix 4 totalling £3.087m.

7 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: *BDC:* *Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC:* *Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	Yes
Is the decision subject to Call-In?(Only Key Decisions are subject to Call-In)	Yes
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	**Title**
1	General Fund Summary 2018/19
2	General Fund Outturn 2018/19
3	HRA Outturn 2018/19
4	Capital Expenditure Outturn 2018/19
5	Treasury Management Outturn 2018/19
Background Papers	
Report Author	**Contact Number**
Jayne Dethick – Chief Accountant	(01246) 217078

GENERAL FUND SUMMARY 2018/19 Outturn **Appendix 1**

	Original Budget 2018/19 £	Current Budget 2018/19 £	Outturn 2018/19 £
Place Directorate	2,750,446	2,251,535	2,123,068
People Directorate	9,007,422	8,673,301	8,233,221
Bad Debt Provision	40,000	35,000	-24,211
Recharges to Capital and HRA	(527,500)	(527,500)	(527,500)
Savings Target	(433,574)	0	0
Net Cost of Services	**10,836,794**	**10,432,336**	**9,804,578**
Investment Properties	(421,304)	(426,383)	(471,793)
Interest	33,712	17,135	-114,695
Debt Repayment Minimum Revenue Provision	256,000	256,000	256,000
Parish Precepts	3,052,791	3,052,791	3,052,791
Parish Council Tax Support Grant	140,763	140,763	140,763
Transfer To Earmarked Reserves	98,381	2,469,015	3,587,888
Transfer From Earmarked Reserves	(297,256)	(726,250)	(726,250)
Total Spending Requirement	**13,699,881**	**15,215,407**	**15,529,282**
Business Rates	(3,850,000)	(5,365,526)	(5,679,401)
Revenue Support Grant	0	0	0
New Homes Bonus	(920,291)	(920,291)	(920,291)
Collection Fund (Surplus)/Deficit - Council Tax	(162,817)	(162,817)	(162,817)
Collection Fund (Surplus)/Deficit - NNDR	0	0	0
NEDDC Council Tax Requirement	(5,713,982)	(5,713,982)	(5,713,982)
Parish Council Council Tax Requirement	(3,052,791)	(3,052,791)	(3,052,791)
Council Tax Requirement	**(13,699,881)**	**(15,215,407)**	**(15,529,282)**
Checks	0	0	0

AAPENDIX 2 - GENERAL FUND ACCOUNT - OUTTURN 2018/19

		Original Budget 2018/19	Current Budget 2018/19	Outturn 2018/19	Variance
		£	£	£	£
	Place Directorate				
	Joint Strategic Director Place				
1141	Joint Chief Executive - Place	0	38,681	38,826	145
5700	Joint Strategic Director - Place	52,830	52,327	52,312	(15)
5706	HS2	0	0	-1,000	(1,000)
	Joint Head of Service Housing and Community Safety				
1218	Community Safety	44,432	29,803	47,958	18,155
1220	Joint Head of Service - Housing & Comm Safety	3,558	3,558	0	(3,558)
1283	Emergency Planning	16,000	-1,484	-1,637	(153)
3400	Environmental Protection	84,214	67,462	64,669	(2,793)
3401	Food, Health & Safety	118,156	112,477	97,436	(15,041)
3402	Environmental Enforcement	96,606	89,281	106,758	17,477
3403	Community Outreach	848	0	0	0
3404	Licensing	(18,483)	(21,766)	-44,707	(22,941)
3405	Pollution	92,203	85,665	82,834	(2,831)
3407	Pest Control	31,287	33,969	30,121	(3,848)
3408	Home Improvement	36,088	35,108	26,274	(8,834)
3409	EH Technical Support & Management	194,530	180,601	176,263	(4,338)
3410	Private Sector Housing	49,326	54,619	54,895	276
3419	Destitute Funerals	3,600	3,600	1,038	(2,562)
3420	Fly Tipping	3,000	3,000	843	(2,157)
3421	VARM (NE) Discretionary Fund	0	1,368	1,368	(0)
3422	Building Resilience Programme (Shirebrook)	289	0	0	0
3423	Air Quality Feasibility Study	0	(7,937)	-7,937	0
3424	HMO ICT Project	0	0	-3,630	(3,630)
	Joint Head of Service Property and Commercial Services				
3135	Drainage	21,654	15,222	24,217	8,995
3172	Engineers	75,694	80,323	77,342	(2,981)
3241	Car Parks	38,550	42,925	41,850	(1,075)
3247	Street Names/Lights	6,000	5,150	3,944	(1,206)
3249	Footpath Orders	800	(700)	-5,424	(4,724)
3265	Dams And Fishing Ponds	(400)	(400)	-950	(550)
3281	Clay Cross Depot	(661)	(2,010)	-785	1,225
3283	Northwood	0	0	0	0
3284	Wingerworth OPE	0	(50,000)	-50,000	0
3811	Closed Circuit Television	320	400	-57	(457)
4412	Midway Business Centre	(45,390)	(45,775)	-59,367	(13,592)
4425	Coney Green Business Centre	(26,088)	(32,962)	-103,298	(70,336)
4523	Estates Administration	275,852	247,432	219,048	(28,384)
5204	Jnt HoS Property & Commercial Services	36,648	36,982	36,642	(340)
5205	Mill Lane	310,738	228,150	234,074	5,924
5206	Mill Lane Land	0	0	50,000	50,000
5209	Facilities Management	121,060	130,360	101,974	(28,386)
5210	Pioneer House	(34,805)	(37,020)	-46,913	(9,893)
					0
	Joint Head of Service Planning				0
4111	Applications And Advice	(372,400)	(596,784)	-620,704	(23,920)
4113	Planning Appeals	0	154,782	154,782	0
4116	Planning Policy	296,687	433,227	438,919	5,692
4119	Neighbourhood Planning Grant	0	(9,404)	-9,404	0
4311	Environmental Conservation	19,740	19,800	19,831	31
4511	Jnt Hos Planning	35,823	17,085	19,773	2,688
4513	Planning	514,221	511,191	577,476	66,285
4522	Section 106 Agreement	0	0	-7,194	(7,194)
4515	Building Control	58,000	58,000	54,500	(3,500)
	Joint Head of Service Economic Development				
3165	Housing Options Team	206,775	174,736	168,525	(6,211)
3740	Strategic Housing	74,272	82,600	85,103	2,503
3741	Housing Ambition Project	34,651	0	0	0

3743	Manufacturing Zone Bid	0	(220,000)	-220,000	0
3747	Homelessness Temporary Accomodation	0	32,265	5,110	(27,155)
3748	Homelessness Grant	(22,111)	(45,140)	-48,432	(3,292)
3749	Empty Properties	2,000	1,239	904	(335)
3750	Housing Growth	0	(18,780)	-18,780	0
3751	Care Call System	(15,000)	(15,000)	-17,991	(2,991)
3752	Homeless Bond Scheme	0	500	500	0
3754	Rough Sleepers	0	(19,265)	-19,265	0
4211	Tourism Promotions	18,500	18,500	18,500	0
4238	Working Communities Strategy	77,100	77,095	75,311	(1,784)
4240	Project X	0	0	0	0
4351	Alliance	3,350	3,350	3,250	(100)
4512	Growth Agenda	16,000	32,906	26,217	(6,689)
4516	Clay Cross OPE	0	0	0	0
4517	Economic Development	153,166	135,104	127,831	(7,273)
4519	The Avenue, Wingerworth	20,000	2,900	2,900	0
4520	Dronfield/Eckington OPE	0	1,350	1,350	0
4526	Sheffield City Region	4,000	4,000	3,966	(34)
5750	Jnt HoS Economic Development	37,216	36,869	55,104	18,235
	Total for Place Directorate	**2,750,446**	**2,251,535**	**2,123,068**	**-128,468**
	People Directorate				
	Joint Strategic Director People				
1142	Joint Chief Executive (People)	114,917	81,833	82,403	570
4500	Joint Strategic Director - People	46,298	57,552	47,618	(9,934)
5720	Supporting PA's	81,077	80,784	80,476	(308)
					0
	Joint Head of Service Partnerships and Transformation				0
1331	Strategic Partnerships	119,091	124,326	122,740	(1,586)
1332	Strategic Partnership Projects	12,500	2,588	2,588	(0)
1333	Healthy North East Derbyshire	16,904	(21,363)	-21,363	(0)
1334	NE Derbyshire Business Growth Fund	0	21,921	21,921	(1)
1335	Big Local	0	0	0	0
4352	LEADER	333	0	0	0
4443	Elderly Peoples Clubs	4,000	4,000	1,249	(2,751)
4561	Leisure Centre Management	83,411	205,328	215,448	10,120
4600	Jnt Hos Partnerships & Transformation	30,352	20,448	23,101	2,653
4720	Sportivate	0	0	0	0
4722	Physical Inactivity Fund	0	0	0	0
4723	Generation Games	12,000	12,000	12,000	0
4726	Walking for Health	0	0	0	0
4727	Five 60	0	0	0	0
4731	Promotion Of Recreation And Leisure	29,132	29,112	28,587	(525)
4732	Schools Promotion	1,410	3,543	0	(3,543)
4736	Derbyshire Sports Forum	15,500	15,500	14,450	(1,050)
4742	Arts Development	2,800	2,800	2,524	(276)
5215	Telephones	25,500	32,100	28,266	(3,834)
5216	Mobile Phones and Ipads	16,810	16,665	19,956	3,291
5221	Customer Services	375,206	357,232	345,029	(12,203)
5223	Franking Machine	55,310	59,960	54,971	(4,989)
5701	Joint ICT Service	0	(28,333)	-28,333	0
5734	NEDDC ICT Service	527,596	537,727	494,202	(43,525)
5735	Cybr Security	0	(20,000)	-20,000	0
5737	Corporate Printing Costs	23,190	18,000	11,932	(6,068)
5785	Contributions	132,835	132,835	132,799	(36)
5825	Concessionary Bus Passes	(9,940)	(9,940)	-10,337	(397)
8441	Eckington Swimming Pool	200,887	185,280	179,031	(6,249)
8445	Eckington Pool Cafe	0	1,264	-12,385	(13,649)
8451	Dronfield Sports Centre	(47,747)	(21,851)	-50,896	(29,045)
8461	Sharley Park Sports Centre	319,500	300,536	291,152	(9,384)
8465	Sharley Park Sports Centre Outdoor	(1,200)	(2,150)	-4,098	(1,948)
					0
	Joint Head of Service Corporate Governance				0
1121	Member's Services	420,598	434,090	422,790	(11,300)
1123	Chair's Expenses	9,820	11,220	6,525	(4,695)
1131	District Elections	0	0	-63	(63)
1133	Parish Elections	0	0	-3,218	(3,218)
1137	Parliamentary Elections	0	0	-11,924	(11,924)

1139	County Council Elections	0	0	43	43
1231	Corporate Training	11,980	11,835	7,330	(4,505)
1255	Strategy and Performance	96,188	96,303	92,779	(3,524)
1256	Corporate Consultation	14,676	14,203	13,017	(1,186)
1259	Corporate Groups	10,000	10,000	5,883	(4,117)
1310	Jnt HoS Corporate Governance	0	0	27	27
1311	Human Resources	225,450	183,288	173,744	(9,544)
1312	Payroll	50,556	50,646	50,351	(296)
1313	Work Well Team	0	1,052	1,052	(0)
1315	Design & Print	87,349	95,715	83,044	(12,671)
1321	Communications & Marketing	78,858	83,436	81,749	(1,687)
1323	NEDDC News	26,600	27,000	27,410	410
1329	Corporate Web Site	700	1,290	936	(354)
3121	Health & Safety Advisor	46,010	46,218	43,180	(3,038)
5219	Corporate Support	500	0	0	0
5249	Twinning Expenses	7,100	7,100	660	(6,440)
5273	Brass Band Concert	2,700	1,550	2,260	710
5313	Register Of Electors	167,237	150,447	142,382	(8,065)
5321	Jnt HoS Corporate Governance	39,209	38,821	38,873	52
5353	Legal Section	153,387	154,351	140,100	(14,251)
5354	Land Charges	0	(14,318)	-27,148	(12,830)
5392	Scrutiny	49,255	49,238	48,688	(550)
5711	Democratic Services	168,516	170,369	160,455	(9,914)
					0
	Joint Head of Service Finance and Resources				0
3176	Pool Car	4,000	1,000	463	(537)
3512	CBC Crematorium	(177,000)	(177,000)	-154,647	22,353
5113	Unison Duties	14,409	14,487	14,727	240
5611	External Audit	56,510	43,510	45,280	1,770
5615	Bank Charges	86,000	86,000	74,885	(11,115)
5621	Contribution to/from HRA	(185,600)	(185,600)	-185,450	150
5705	Jnt HoS Finance & Resources	36,732	36,384	36,653	269
5713	Audit	104,740	96,183	90,228	(5,955)
5714	Financial Support Services	38,400	4,100	3,683	(417)
5715	Procurement	0	42,335	42,162	(173)
5721	Financial Services	265,587	269,948	294,422	24,474
5723	Housing Act Advances	2,300	2,300	2,385	85
5724	Insurance	409,240	341,508	246,655	(94,853)
5725	Apprenticeship Levy	45,000	45,000	38,352	(6,648)
5727	Cost Of Ex-Employees	971,015	971,015	953,079	(17,937)
5741	Housing Benefit Service	472,122	171,521	180,479	8,958
5747	Debtors	48,422	48,473	48,400	(73)
5751	`NNDR Collection	(21,228)	(13,410)	8,144	21,554
5759	Council Tax Administration	205,376	189,183	189,779	596
5781	Village Hall Grants	14,870	14,870	14,867	(3)
	Joint Head of Service Street Scene				
3174	Street Scene	298,946	292,774	286,078	(6,696)
3227	Materials Recycling	153,685	180,695	280,572	99,877
3231	Recycling Promotional Work	3,800	3,800	-284	(4,084)
3244	Parks Derbyshire County Council Agency	(359,170)	(360,000)	-359,667	333
3282	Eckington Depot	86,805	90,428	96,751	6,323
3285	Dronfield Bulk Depot	3,070	3,330	3,329	(1)
3511	Hasland Cemetery	(50,746)	(50,440)	-42,503	7,937
3513	Temple Normanton Cemetery	(7,363)	(7,540)	-5,387	2,153
3514	Clay Cross Cemetery	(43,685)	(45,705)	-50,830	(5,125)
3516	Killamarsh Cemetery	(15,805)	(18,160)	-25,574	(7,414)
3918	Dog Fouling Bins	(47,800)	(46,800)	-56,413	(9,613)
3921	Street Cleaning Service	630,371	598,041	584,962	(13,139)
3943	Transport	(38,219)	386,311	397,495	11,184
3944	Grounds Maintenance	617,189	455,681	398,423	(57,293)
3945	Domestic Waste Collection	1,698,196	1,480,442	1,419,845	(60,597)
3946	Commercial Waste Collection	(167,108)	(126,590)	-215,751	(89,161)
4436	The Avenue - Dowry	0	11,676	11,676	0
	Total for People Directorate	**9,007,422**	**8,673,301**	**8,233,221**	**-440,080**
	Investment Properties				
4411	Stonebroom Industrial Estate	(43,620)	(44,000)	-42,670	1,330
4413	Clay Cross Industrial Estate	(72,850)	(79,370)	-81,118	(1,748)

4415	Norwood Industrial Estate	(204,060)	(208,530)	-226,336	(17,806)
4417	Eckington Business Park	(25,000)	(25,000)	-27,086	(2,086)
4418	Rotherside Court Eckington Business Unit	(28,274)	(10,850)	-18,250	(7,400)
4423	Pavillion Workshops Holmewood	(66,210)	(70,150)	-80,551	(10,401)
4432	Miscellaneous Properties	18,710	11,517	4,217	(7,300)
	Total for Investment Properties	**(421,304)**	**(426,383)**	**-471,793**	**(45,410)**

APPENDIX 3

HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT 2018/19

	A	B	C	D	E
	Current Budget 2018/19 £000's	Adjustments to aid comparison 2018/19 £000's	Adjusted Current Budget 2018/19 £000's	Actual 2018/19 £000's	Variance 2018/19 £000's
Income					
Dwelling Rents	(31,107)		(31,107)	(31,135)	(28)
Non-Dwelling Rents	(395)		(395)	(369)	26
Charges for Services and Facilities	(375)		(375)	(375)	0
Contributions Towards Expenditure	(180)		(180)	(168)	12
Total Income	**(32,057)**	**0**	**(32,057)**	**(32,047)**	**10**
Expenditure					
Repairs & Maintenance	5,176		5,176	5,146	(30)
Revenue Expenditure funded from Capital (REFCUS)	0	634	634	634	0
Supervision and Management	6,849		6,849	6,822	(27)
Rents, Rates & Taxes	122		122	135	13
Capital Charges - Depreciation	7,930		7,930	7,927	(3)
Increase in Provision for Bad Debts	250		250	144	(106)
Debt Management Expenses	12		12	12	0
Impairments & Revaluations	0	15,414	15,414	15,414	0
Total Expenditure	**20,339**	**16,048**	**36,387**	**36,234**	**(153)**
Net Cost of Services	**(11,718)**	**16,048**	**4,330**	**4,187**	**(143)**
Corporate & Democratic Core	185		185	185	0
Net Cost of all HRA services	**(11,533)**	**16,048**	**4,515**	**4,372**	**(143)**
(Gain)/Loss on sale of HRA fixed assets	0	1,689	1,689	1,689	0
Interest Payable	5,240		5,240	5,259	18
Revaluation of Investment Property	0	(183)	(183)	(183)	0
Interest Receivable	(57)		(57)	(80)	(23)
Capital Grants	0	(729)	(729)	(729)	0
(Surplus)/Deficit on HRA Services	**(6,350)**	**16,825**	**10,475**	**10,328**	**(148)**
MRP Voluntary Contribution	0		0	0	0
Transfers to/from Rykneld Homes Loss Reserve	0		0	0	0
Transfer to HRA Reserves -Capital	0		0	0	0
Transfer to HRA Reserves - Insurance	50		50	50	0
Transfer to HRA Reserves - Development	930		930	1,075	145
Transfer to HRA Reserves - Debt Repayment Reserve	4,300		4,300	4,300	0
Adjustments between accounting and funding basis	0	-16,825	-16,825	-16,825	0
Transfers to/from Major Repairs Reserve	1,070		1,070	1,073	3
Transfer to HRA Balances	**0**	**0**	**0**	**(0)**	**0**

Housing Revenue Account Balances	**Revised Budgets 2018/19 £000**	**Actual 2018/19 £000**	**Variance 2018/19 £000**
HRA Opening Balance	(3,000)	(3,000)	0
Transfer fm Balances 18/19			
Transfer to Balances 18/19			
HRA Closing Balances	(3,000)	(3,000)	0

APPENDIX 4 CAPITAL PROGRAMME 2018/19 - 2019/20

Project/Scheme	Current Programme 2018/19 £000	Outturn 2018/19 £000	Variance 2018/19 £000	Amount Carried Forward to 2019/20 £000	Original Programme 2019/20 £000	Current Programme 2019/20 £000
Housing Investment						
Housing Investment Programme	9,606	9,720	114	0	9,000	9,000
Demolition of Houses in Renishaw	30	16	(14)	0	0	0
EWI Scheme	395	0	(395)	395	0	395
EWI Scheme - Heath & Pilsley	0	0	0	0	1,350	1,350
Pine View, Danesmoor	300	23	(277)	277	600	877
North Wingfield New Build Scheme	1,977	1,780	(197)	197	0	197
Acquisitions & Disposal Scheme (RHL)	560	181	(379)	0	500	500
Car Park Resurfacing - Holmesfield	40	0	(40)	40	0	40
Car Park Resurfacing - Pilsley	0	0	0	0	40	40
Stock Purchase Programme	1,482	927	(555)	555	0	555
	14,390	12,647	(1,743)	1,464	11,490	12,954
Private Sector Spending - DFG	689	374	(315)	315	393	708
Total Housing Investment	**15,079**	**13,021**	**(2,058)**	**1,779**	**11,883**	**13,662**
Other Capital Projects						
Asset Refurbishment - General	150	73	(77)	77	500	577
Roller Shutter Doors	82	18	(64)	64	0	64
Eckington Swimming Pool Roof Replacement	270	0	(270)	270	0	270
Leisure Centre Kit Replacement	106	105	(1)	0	0	0
Eckington Swimming Pool Refurbishment	32	35	3	0	0	0
Contaminated Land	42	0	(42)	42	0	42
ICT Schemes	109	88	(21)	21	159	180
Lottery Funded Schemes	11	0	(11)	11	0	11
Replacement Vehicles	1,138	315	(823)	823	983	1,806
Northwood Group Grant	220	220	0	0	0	0
Section 106 Capital Expenditure	839	839	0	0	0	0
Total Other Capital Projects	**2,999**	**1,693**	**(1,306)**	**1,308**	**1,642**	**2,950**
Total Capital Expenditure	**18,078**	**14,714**	**(3,364)**	**3,087**	**13,525**	**16,612**
Housing Investment Funding						
External Grants - North Wingfield Project	(730)	(729)	1	0	0	0
External Grants - Additional DFG	0	0	0	0	0	0
HRA Capital Investment Reserve	(1,146)	(780)	366	(352)	(1,390)	(1,742)
Major Repairs Reserve	(9,536)	(9,650)	(114)	0	(9,000)	(9,000)
Prudential Borrowing - HRA	(1,942)	(931)	1,011	(869)	(600)	(1,469)
Useable Capital Receipts	(1,036)	(557)	479	(243)	(500)	(743)
	(14,390)	(12,647)	1,743	(1,464)	(11,490)	(12,954)
Disabled Facilities Grant	(669)	(354)	315	(315)	(373)	(688)
Usable Capital Receipts	(20)	(20)	0	0	(20)	(20)
Total Housing Investment Funding	**(15,079)**	**(13,021)**	**2,058**	**(1,779)**	**(11,883)**	**(13,662)**
Other Capital Projects Funding						
Useable Capital Receipts	(544)	(449)	95	(98)	(623)	(721)
Prudential Borrowing	(1,408)	(315)	1,093	(1,093)	(983)	(2,076)
RCCO - General Fund	(155)	(90)	65	(64)	(36)	(100)
External Grant	(892)	(839)	53	(53)	0	(53)
Other Capital Project Funding	**(2,999)**	**(1,693)**	**1,306**	**(1,308)**	**(1,642)**	**(2,950)**
Total Capital Financing	**(18,078)**	**(14,714)**	**3,364**	**(3,087)**	**(13,525)**	**(16,612)**
HRA Development Reserve						
Opening Balance	(1,481)	(1,481)	0		(1,776)	(1,776)
Amount due in year	(667)	(1,075)	(408)		(667)	(667)
Amount used in year	1,146	780	(366)		1,390	1,742
Closing Balance	**(1,002)**	**(1,776)**	**(774)**		**(1,053)**	**(701)**
Major Repairs Reserve						
Opening Balance	(826)	(826)	0		(176)	(176)
Amount due in year	(9,000)	(9,000)	0		(9,000)	(9,000)
Amount used in year	9,536	9,650	114		9,000	9,000
Closing Balance	**(290)**	**(176)**	**114**		**(176)**	**(176)**
Capital Receipts Reserves						
Opening Balance	(1,970)	(1,970)	0		(2,795)	(2,795)
Income expected in year	(2,000)	(4,422)	(2,422)		(2,000)	(2,000)
Debt Repayment/Other Expenses	1,900	3,221	1,321		1,900	1,900
Amount used in year	936	376	(560)		643	741
Closing Balance	**(1,134)**	**(2,795)**	**(1,661)**		**(2,252)**	**(2,154)**
Capital Receipts Reserves 1-4-1 receipts						
Opening Balance	(2,871)	(2,871)	0		(2,772)	(2,772)
Income expected in year	(1,000)	(551)	449		(2,000)	(2,000)
Debt Repayment/Other Expenses	0	0	0		0	0
Amount used in year	665	650	(15)		0	743
Closing Balance	**(3,206)**	**(2,772)**	**434**		**(4,772)**	**(4,029)**

NEDDC Treasury Management Activity 2018/19

Capital Financing Requirement

Treasury Management is the measurement and control of the overall debt position of the Council. This is calculated through the Capital Financing Requirement (CFR). The CFR calculates the Council's underlying need to borrow in order to finance its capital expenditure. The revised estimate of the CFR for 2018/19 and the actual outturn CFR are shown in the table below: -

	Current Budget 2018/19 £000's	Actual Outturn 2018/19 £000's
Capital Financing Requirement 1 April 2018	193,183	186,580
Prudential Borrowing Gen Fund – Vehicle Replacement	1,116	315
Prudential Borrowing HRA – North Wingfield Scheme	275	908
Prudential Borrowing HRA – Pine View, Danesmoor Scheme	0	23
Minimum Revenue Provision (MRP)	(987)	(960)
Net repayment of other debt	(2)	(1)
Prudential Borrowing Gen Fund - Financing of Loan to Rykneld Homes	(2,667)	(1,012)
Repayment of Allowable Debt	(750)	(1,929)
Capital Financing Requirement 31 March 2019	**190,168**	**183,924**

The overall position shows a net decrease in outstanding debt of £2.656m during the year.

The actual CFR position also reflects the Council's repayment of allowable debt. When a Council dwelling is sold the Council is allowed to retain some of the capital receipts because it is carrying debt on each property following the HRA self-financing settlement in 2012. This is known as the allowable debt calculation. It is good practice that the retained receipt element for allowable debt is actually utilised to repay the debt outstanding on the sold houses otherwise the Council is carrying debt where it has no asset.

The Capital Financing requirement is split between the HRA and General Fund the balance of each is shown below:

Capital Financing Requirement at 31 March 2019	**£000's**
General Fund	11,444
Housing Revenue Account	172,480
Total CFR	**183,924**

Changes to the HRA Debt Cap

In October 2018 the legislation that capped the amount of HRA debt a local housing authority could hold was revoked with immediate effect. The capital financing requirements relating to the HRA will remain the same so there will still be no requirement for an MRP and levels of debt will be managed through prudential borrowing limits controlled by the Treasury Management Strategy approved by Council in February 2019. This is to ensure that all additional borrowing is prudent and affordable within the context of the HRA and should include:

- affordability over the life of the 30 year business plan;
- a clear case for demand/need in the district;
- generation of additional income.

Removing the debt cap and not having a statutory requirement to make a provision to repay debt presents a significant risk to the HRA. Very careful treasury management is needed to ensure that the Council's HRA borrowing remains affordable, prudent and reasonable and that the HRA remains sustainable over the long term.

How the CFR is financed by the Council
The CFR is the Council's underlying need to borrow to finance capital expenditure. To finance the CFR the Council has external borrowing, finance leases and the use of its own reserves and balances. The position as at 31 March 2019 is as follows:

	£000's
Capital Financing Requirement 31 March 2019	183,924
Financed from	
External Borrowing via PWLB	150,846
Use of internal balances and reserves	33,078
Total Financing of CFR	**183,924**

The table above shows that the Council is effectively under borrowing by £33.078m at 31 March 2019. This means that no debt charges are being incurred on £33.078m of borrowing but also means that the funds are not being invested in the money market. However, the cost of borrowing from the PWLB would incur interest charges that are higher than the investment interest foregone. This position is regularly monitored and reviewed in line with forecast interest rates.

PWLB Borrowing
The Council's total outstanding PWLB debt amounted to £154.149m at 1 April 2018. During 2018/19 an amount of £3.303m was repaid leaving a balance at 31 March 2019 of £150.846m. During 2018/19 no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING **Term**	**Maturity Profile 31 March 2018 £000's**	**Maturity Profile 31 March 2019 £000's**
12 Months	3,303	1,304
1 - 2 years	1,304	304
2 - 5 years	2,620	6,420
5 - 10 years	25,412	25,402
10 - 15 years	24,420	28,326
Over 15 years	97,090	89,090
Total PWLB Debt	**154,149**	**150,846**

PWLB Interest
The interest cost to the Council of the PWLB debt for 2018/19 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

Date	Amount Paid to PWLB £000's
Less Accrued Interest re 2017/18	(50)
Interest Paid during 2018/19	5,419
Plus Accrued Interest re 2018/19	46
Total Paid	**5,415**

Temporary Borrowing
Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. No interest charges from short term borrowing were incurred during the year. At the 31 March 2019 the Council had no temporary borrowing.

Temporary Investments
The tables below detail the short term investments made at various times during the financial year 2018/19: -

Bank Name	Duration of Loan	B/Fwd 01/04/18 £000's	Amount Invested 2018/19 £000's	Amount Returned 2018/19 £000's	Balance Invested 31/3/19 £000's	Interest Received 31/3/19 £000's
Santander	Call	25	9,010	(9,000)	35	(10)
Handelsbanken	Call	0	17,005	(17,000)	5	(5)
Federated Fund 3	Call	2,500	3,019	(2,519)	3,000	(19)
Federated GBP 3	Call	2,000	16	(16)	2,000	(16)
Aberdeen Standard	Call	0	11,026	(6,026)	5,000	(26)
CCLA Public Sector Deposit Fund	1 Day Call	0	5,008	(8)	5,000	(8)
King & Shaxson	1 Year	2,268	1,002	(2,270)	1,000	(2)
West Dunbartonshire Council	1 Year	4,000	18	(4,018)	0	(18)
Eastleigh Borough Council	3 Months	0	1,001	(1)	1,000	(1)
Lancashire County Council	1 Year	2,000	2,021	(2,021)	2,000	(21)
Cheshire East Borough Council	14 months	1,000	9	(9)	1,000	(9)
Total		**13,793**	**49,135**	**(42,888)**	**20,040**	**(135)**

Overnight Investments
The maximum amount invested with Lloyds Bank in the financial year was £4.983m. There has been no breach of the £5m limit set in the Treasury Management Strategy.

Compliance with Treasury Limits
During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual	Set Limits

	2018/19 £000's	2018/19 £000's
Authorised Limit (total Council external borrowing limit)	193,924	205,168
Operational Boundary	188,924	195,168

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Corporate Debt – Quarter 1

Report of the Chief Accountant

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the corporate debt position as at 30 June 2019.

1 Report Details

1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee on the position regarding corporate debt.

1.2 Appendix 1 of this report details the debt position with regard to sundry debtors, overpaid housing benefit and rents as at 30 June 2019.

2 Conclusions and Reasons for Recommendation

2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are informed of the latest position concerning the Council's debt.

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

4.1 This report is for information only.

5 Implications

5.1 Finance and Risk Implications

Appendix 1 details the current position regarding corporate debt. Failure to collect this debt would have a detrimental impact on the Council's financial position and may result in some of the debt being written off.

5.2 **Legal Implications including Data Protection**

There are none arising directly from this report.

5.3 **Human Resources Implications**

There are none arising directly from this report.

6 Recommendations

6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Corporate Debt as at 30 June 2019.

7 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: *BDC:* *Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC:* *Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has relevant Portfolio Member been informed?	Yes
District Wards Affected	None directly.
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	**Title**
1	Corporate Debt – Quarter 1
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	**Contact Number**
Jayne Dethick – Chief Accountant	01246 217078

Aged Debt Reporting – Sundry Debtors **APPENDIX 1: TABLE 1**

Debt Outstanding as at	Current Debt	90 – 365 Days	1 to 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5+ years	Total	Write Offs
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Average Debt 2014/15	**1,330**	**180**	**42**	**27**	**34**	**5**	**24**	**1,642**	**7**
Average Debt 2015/16	**972**	**201**	**76**	**27**	**23**	**33**	**25**	**1357**	**14**
Average Debt 2016/17	**1551**	**104**	**68**	**49**	**16**	**21**	**32**	**1839**	**58**
30 June 2017 – none LA's	378	50	37	23	14	9	31	542	
30 June 2017 – other LA's	137	0	26	3	0	0	0	166	
30 Sept 2017 – none LA's	825	99	30	23	21	9	31	1038	
30 Sept 2017 – other LA's	186	32	0	0	3	0	0	221	
31 Dec 2017 – none LA's	395	56	31	21	14	8	22	547	
31 Dec 2017 – other LA's	138	1	0	0	3	0	0	142	
31 March 2018 – none LA's	728	44	47	12	20	9	22	882	
31 March 2018 – other LA's	339	1	0	0	3	0	0	343	
Average Debt 2017/18	**781**	**71**	**43**	**21**	**19**	**9**	**26**	**970**	**11**
30 June 2018 – none LA's	438	39	45	20	21	7	23	593	
30 June 2018 – other LA's	822	82	0	0	0	3	0	904	
30 Sept 2018 – none LA's	630	47	29	14	6	3	22	751	
30 Sept 2018 – other LA's	750	5	0	0	0	3	0	758	
31 Dec 2018 – none LA's	417	47	24	17	6	2	23	536	
31 Dec 2018 – other LA's	55	1	0	0	0	3	0	59	
31 March 2019 – none LA's	132	34	14	26	5	15	27	253	
31 March 2019 – other LA's	164	0	0	0	0	3	0	167	
Average Debt 2018/19	**852**	**64**	**112**	**19**	**9**	**10**	**24**	**1090**	**41**
30 June 2019 – none LA's	629	42	11	28	10	7	21	748	
30 June 2019 – other LA's	177	0	0	0	0	3	0	180	
30 Sept 2019 – none LA's	0	0	0	0	0	0	0	0	
30 Sept 2019 – other LA's	0	0	0	0	0	0	0	0	
31 Dec 2019 – none LA's	0	0	0	0	0	0	0	0	
31 Dec 2019 – other LA's	0	0	0	0	0	0	0	0	
31 March 2020 – none LA's	0	0	0	0	0	0	0	0	
31 March 2020 – other LA's	0	0	0	0	0	0	0	0	
Average Debt 2019/20	**806**	**42**	**11**	**28**	**10**	**10**	**21**	**928**	**0**

APPENDIX 1: TABLE 2

Aged Debt Reporting – Overpaid Housing Benefits

Debt Outstanding as at	Current Debt	90 to 365 days	1 to 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total	Write offs
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Average Debt 2014/15	**137**	**211**	**201**	**191**	**145**	**81**	**150**	**1,116**	**19**
Average Debt 2015/16	**182**	**336**	**263**	**172**	**160**	**133**	**209**	**1,445**	**76**
Average Debt 2016/17	**173**	**332**	**346**	**203**	**123**	**128**	**241**	**1,546**	**144**
30 June 2017	134	355	357	232	140	112	255	1,585	
30 September 2017	153	321	333	242	149	96	294	1,588	
31 December 2017	132	303	292	270	174	95	291	1,557	
31 March 2018	144	292	307	280	165	118	291	1,597	
Average Debt 2017/18	**141**	**318**	**322**	**256**	**157**	**105**	**283**	**1,582**	**89**
30 June 2018	125	285	293	275	184	122	313	1,597	
30 September 2018	138	267	288	256	189	132	338	1,608	
31 December 2018	98	261	299	228	209	154	340	1,589	
31 March 2019	56	237	285	251	223	143	367	1,561	
Average Debt 2018/19	**104**	**263**	**291**	**253**	**201**	**138**	**340**	**1,589**	**38**
30 June 2019	80	185	278	245	225	154	395	1,562	
30 September 2019	0	0	0	0	0	0	0	0	
31 December 2019	0	0	0	0	0	0	0	0	
31 March 2020	0	0	0	0	0	0	0	0	
Average Debt 2019/20	**80**	**185**	**278**	**245**	**225**	**154**	**395**	**1,562**	**0**

HRA total Indebtedness

Debt Outstanding as at	Total	Write Offs in Year
	£000	£000
Average Debt 2014/15	**2,359**	**143**
Average Debt 2015/16	**2,203**	**266**
Average Debt 2016/17	**2,023**	**178**
30 June 2017	2,171	
30 September 2017	2,227	
31 December 2017	2,139	
31 March 2018	1,577	
Average Debt 2017/18	**2,028**	**203**
30 June 2018	1,921	
30 September 2018	2,118	
31 December 2018	1,715	
31 March 2019	1,474	
Average Debt 2018/19	**1,807**	**162**
30 June 2019	1,810	
30 September 2019	0	
31 December 2019	0	
31 March 2020	0	
Average Debt 2019/20	**1,810**	**0**

SUMMARY OF PROVISION FOR DOUBTFUL DEBTS 2019/20

	General Fund Sundry Debtors	Over Paid Housing Benefit	HRA Rents	Total
	£000's	£000's	£000's	£000's
Balance B/Fwd	(169)	(1,187)	(721)	(2,077)
Write offs in current financial year	0	0	0	0
Actual increase in provision	(10)	(0)	(0)	(10)
Provision C/fwd	**(179)**	**(1,187)**	**(721)**	**(2,087)**
Current Debt position	928	1,562	1,810	4,300
Percentage Coverage	19.3%	76%	39.8%	45%