

Public Document Pack



**North East
Derbyshire**
District Council

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Date: Friday, 24 November 2023

To: **Members of the Audit Committee**

Please attend a meeting of the Audit Committee to be held on **Monday, 4 December 2023 at 3.00 pm in Meeting Rooms 1 and 2 (old Council Chamber)** District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield S42 6NG.

Yours sincerely

A handwritten signature in cursive script that reads "Sarah Steenberg".

Assistant Director of Governance and Monitoring Officer

Members of the Committee

| <u>Labour Group</u> | <u>Conservative Group</u> |
|--|--|
| Councillor Christine Smith – Chair Councillor David Cheetham Councillor Gerry Morley | Councillor Alex Dale Councillor Martin E Thacker MBE JP |

For further information about this meeting please contact: Tom Scott 01246 217045

A G E N D A

1 Apologies for Absence

2 Declarations of Interest

Members are 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 withdraw from the meeting at the appropriate time.

3 Minutes of Last Meeting (Pages 5 - 8)

To approve as a correct record and the Chair to sign the Minutes of the Audit Committee held on 3 July 2023.

4 Risk Management Updates

Reports by the Managing Director

a. Risk Management Report (Pages 9 - 40)

b. Safeguarding Update (Pages 41 - 50)

5 Annual Statement of Accounts 2022/23 (Pages 51 - 218)

Report by Director of Finance & Resources (S151 Officer)

6 Going Concern Report 2022/23 (Pages 219 - 224)

Report by Director of Finance & Resources (S151 Officer)

7 Audit Completion Report - Mazars (Pages 225 - 264)

Report by Nomfundo Magwaza - Mazars

8 Internal Audit Annual Report (Pages 265 - 278)

Report by Head of Internal Audit Consortium – Jenny Williams.

9 Monitoring the Implementation of Internal Audit Recommendations (Pages 279 - 287)

Report by Head of Internal Audit Consortium – Jenny Williams.

10 Treasury Management Quarterly Update (Pages 288 - 356)

Report by Director of Finance & Resources and Section 151 Officer, Jayne Dethick.

11 Committee Work Programme (Pages 357 - 360)

Report by Assistant Director Governance and Monitoring Officer, Sarah Sternberg.

12 Urgent Matters (Public)

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

13 Exclusion of Public

The Chair to move:-

That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

14 Internal Audit Progress Report (Pages 361 - 390)

Report by Head of Internal Audit Consortium – Jenny Williams.

15 Urgent Matters (Private)

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

16 Date of Next Meeting

The next meeting of the Audit Committee is scheduled to take place on 22 January 2024 at 3.00 pm.



North East Derbyshire District Council

Access for All statement

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AUDIT COMMITTEE

MINUTES OF MEETING HELD ON MONDAY, 3 JULY 2023

Present:

Councillor Christine Smith (Chair) (in the Chair)
Councillor David Cheetham (Vice-Chair)

Councillor Gerry Morley
Councillor Martin E Thacker MBE JP

Councillor Alex Dale

Also Present:

| | |
|------------|---|
| L Hickin | Managing Director - Head of Paid Service |
| J Dethick | Director of Finance and Resources & (Section 151 Officer) |
| A Bond | Governance Officer |
| T Scott | Governance and Scrutiny Officer |
| S Kitching | Consultancy Director - Arlingclose |
| P Roberts | Client Director - Arlingclose |
| N Magwaza | Audit Manager - Mazars |
| J Collins | Engagement Lead - Mazars |

AUD/ Apologies for Absence

1/23-

24 No apologies for absence were received.

AUD/ Declarations of Interest

2/23-

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

Councillor Alex Dale advised the Committee of an interest as Director of Northwood Group if the Group was considered as part of the agenda.

AUD/ Minutes of Last Meeting

3/23-

24 RESOLVED – That the Minutes of the defunct Audit and Corporate Governance Scrutiny Committee held on 15 February 2023 be noted.

AUD/ Treasury Management Presentation - Arlingclose

4/23-

24 Members received a presentation by the Council's Treasury Management advisors Arlingclose.

The presentation included advice on:

- Treasury Management
- Member Responsibilities

- Economic Outlook
- Investments
- Borrowing

Members requested that the presentation be circulated to the members of the Committee.

Members were concerned that the presentation quoted the Council as being in the bottom quartile for Net Income, although it was in the mid quartile for Net Revenue. Committee asked to consider progress towards improving this. The Director of Finance and Resources agreed to bring further updates in respect of this to the Committee.

RESOLVED – That the presentation be noted.

AUD/ 5/23-24 Audit Committee Introductory Session

The Director of Finance and Resources gave a presentation to Members on how the newly formed Audit Committee would be expected to operate and function. This included:

- The Purpose & Role of the Audit Committee
- Independence and Accountability
- Membership and Effectiveness
- The Work Programme
- The Role of Internal Audit
- Audit Process
- Governance of Internal Audit

Members referred to the inclusion of training in the presentation, and asked how this would operate. Members were informed that sessions would occur at Committee meetings. Members could also request bespoke training if they required it.

Members also discussed recruitment and staffing issues within the Internal Audit Team and the measures taken to address these. They asked if the Internal Audit team were having any recruitment issues, since this was a point of concern at many other Internal Audit teams. Members were informed that Internal Audit had an officer on long-term sick absence, but the team were building a response to it.

RESOLVED – That the presentation be noted.

AUD/ 6/23-24 Risk Management Update

The Managing Director presented a report setting out the current position regarding Risk Management arrangements and the Strategic Risk Register as at June 2023.

The report included details on the Risk Management Group and the discussions at the Group's previous meeting on 11 May 2023

Members felt there had been an increase in Local Government fraud and asked

regarding the actions taken by the Council. The Managing Director responded that a report specifically about fraud would be produced for the Committee. The Director of Finance and Resources added that the Committee had in its draft Work Programme to consider the Fraud and Corruption strategy bi-annually, and something would be added to these updates about fraud training.

Members felt that because of the importance of Safeguarding, a separate report on the subject should be produced for the Committee to update Members on actions taken by the Council in consultation with its partners. The Managing Director responded that a separate report on Safeguarding would be produced for the Committee.

Members discussed the Strategic Risk register reference STR7 (“Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners”) and believed something should be in the Plan about the risks related to Parish/Town Councils that might impact on the District Council.

Members discussed the Strategic Risk register reference STR13 (“Cyber security attack which severely impacts ICT systems and data”) and believed training should be offered about identifying phishing e-mails. The Managing Director responded that this training would be discussed with ICT officers.

Members enquired if the previous aim to update all internal systems with Microsoft 365 had been achieved. The Director of Finance and Resources explained that all Council officers were now using Microsoft 365.

Members referred to the part of the report which explained the insurance claims received (“5 claims are for reversing incidents which are becoming more frequent”). The Managing Director informed Members that the incidents were not within Council depots, but increased safety at depots was being considered by officers.

Members referred to the section of the report about Hikvision CCTV and enquired if the position in the report had been reviewed. The Managing Director explained that Members would be provided with an update of the situation at the next Committee meeting.

Members returned to the discussion about Safeguarding and asked if the Council monitored compliance rates. The Managing Director responded that the Council had been reviewing its management dashboard, which included monitoring of compliance rates.

Members agreed that they would like to receive Safeguarding training. The Director of Finance and Resources explained that setting this training up would be discussed with HR.

RESOLVED – That the update report be noted.

AUD/ 7/23-24 External Audit Progress Report - Mazars

The Audit Manager and the Engagement Lead from Mazars presented to the Committee an Audit Strategy Memorandum for the year ending 31 March 2023.

The purpose of the document was for Mazars to summarise their audit approach, and to highlight significant audit risks and areas of key judgements.

Members referred to Section 6 of the document ("Fees for audit and other services") and asked why some charges were marked as N/A in the proposed fee and a charge in the actual fee. The Audit Manager explained that these were 'scale fees' so were not an actual additional charge, but fees in general had increased because Mazars now had to undertake more complex tasks.

RESOLVED – That the update be noted.

AUD/ 8/23-24 Committee Work Programme 2023/24

The Director of Finance and Resources presented the draft Work Programme 2023/24 for Member approval.

Members agreed that based on the earlier discussions about Treasury Management and Risk Management, they would like to see both of these issues appear earlier in the Work Programme than their scheduled dates.

Members referred to the future meetings of Audit Committee being provisionally scheduled in the Work Programme for 1pm. Members agreed that all future Audit Committee meetings should take place at 3pm.

RESOLVED –

- (1) That the next scheduled considerations of Risk Management and Treasury Management would be scheduled for an earlier Audit Committee meeting.
- (2) That all future Audit Committee meetings take place at 3pm.
- (3) That with these two amendments, the Committee approved the Audit Committee Work Programme for the 2023/24 municipal year as set out in the attached Appendix 1.

AUD/ 9/23-24 Urgent Items

None.

AUD/ 10/23-24 Date of Next Meeting

The next meeting of the Audit Committee was scheduled to take place on 3.00 pm 29 September 2023.

North East Derbyshire District Council

Audit Committee

4 December 2023

RISK MANAGEMENT

Report of the Managing Director

Classification: This report is public

Report By: Lee Hickin, Managing Director

Contact Officer: Lee Hickin Managing Director

PURPOSE / SUMMARY

- To update Members of the Audit Committee of the current position regarding Risk Management arrangements and the Strategic Risk Register as at November 2023.

RECOMMENDATIONS

1. That the Audit Committee notes the report and Strategic Risk Register as at November 2023 as set out in **Appendix 1**.

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

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

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

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

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

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

On behalf of the Head of Paid Service

DECISION INFORMATION

| 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: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input checked="" type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes |

| Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications. |
|---|
| None |

REPORT DETAILS

1 **Background**

1.1 The former Audit and Corporate Governance Scrutiny Committee have previously endorsed the Council's Risk Management Strategy 2020 and more recently the updated Risk Management Strategy 2022 which was then approved by Cabinet in September 2022. The current Strategy includes but is not limited to the following;

- The nature of 'risk' both the 'threats' and the 'opportunities'
- The benefits of a robust risk management approach
- The Council's risk appetite
- Risk categorisation – *Operational, Governance, Strategic*
- Project and Partnership risk
- The Council's risk management approach and arrangements including a new 'Risk Management Group'
- Roles and responsibilities including *Senior Risk Officer* and *Senior Information Risk Officer* (SRO and SIRO)

1.2 The Strategy also details the work of a 'Risk Management Group'. This is elected Member led and includes the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group provides a comprehensive oversight of risk throughout the organisation and is the conduit to and from the whole organisation in terms of risk management.

1.3 The group 'regularly' and 'consistently' oversee, all of the risk registers ensuring they are up to date and accurate whilst offering challenge to the assessment process itself. It is responsible for risk management reporting to stakeholder groups across the Council, including this Committee and supports the production of the Annual Governance Statement. The group leads on the development and review of all risk related policies, plans and strategies across the Council and oversees and champions the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture.

1.4 **Update of the Risk Management Group held on 8 November 2023**

Minutes of Last Meeting / Matters Arising

The minutes of the meeting held on 9 August 23 were agreed.

Matters Arising:

- Review of Rykneld Homes Operational Risk Register. The RMG agreed that it was important to keep a strategic oversight with regard to Rykneld Homes operational risks as part of NEDDC's client role. The Director of Finance and Resources advised that an audit had

recently been conducted which had resulted in a substantial assurance. Any emerging issues would be presented to RMG.

- RMS11 – The Zurich Risk Management Health Check Review was currently a 'one off'. The Internal Audit Manager to follow up recommendations at the next review. The Internal Audit Manager advised that this would be undertaken in 24/25.

1.5 **Insurance Claims / Legal Claims**

P Kerry, Accountant, provided an update and further details:

Total claims

Insurance claims in 2023 – 38

Total Claims outstanding 2023 – 28

Insurance claims in 2022 – 27

Total Claims outstanding from 2022 - 6

Employee Liability claims

2 claims received in 2023 – Back pain/slipped disc from fall cleaning bin wagon, Muscle Damage using defect cage wagon. Advised to settle for both claims.

1 claim outstanding from 2022 – Mesothelioma claim – solicitors fees received, settlement being negotiated.

1 claim outstanding from 2020 – Mesothelioma claim – majority of the loss stands with Ryknelds insurers but NEDDC are liable for a small aspect.

Vehicle Related

26 claims received in 2023 - 10 claims are for reversing incidents which are becoming more frequent, 7 claims for collisions with stationary objects & 4 claims are for the vehicles stolen during the depot break ins.

18 claims outstanding from 2023 – 7 are non-fault or alleged, 11 are fault claims

3 claims outstanding from 2022 - 2 claims are for reversing incidents and 1 claim is for a collision with a stationary vehicle

1 claim outstanding from 2021 – claim is for hitting a third party in the rear, the insurers cannot close as awaiting medical evidence

Property

5 claims received in 2023 - 2 Break Ins, 1 Leasehold property flooded, 1 fire at the property & 1 claims are where a third-party vehicle drove into the front of the house.

Potential claim for damage at Eckington Depot due to flooding, repair costs need to be weighed against future insurance cost risk.

3 claims outstanding for 2023 - 1 claims are where a third-party vehicle drove into the front of the house, one with a house fire & break in at Norwood Industrial Estate.

2 claims outstanding from 2022 – 1 where third party drove into the house, solicitors are in process of recovery. 1 with house fire – found a leak in the roof which was installed by insurers contractors, complaint has been issued to insurers.

Public Liability

5 claims received in 2023 - 1 Tree Root Damage, 1 TP Reversed into bin, 1 fallen tree (not our responsibility), 1 fall out in the district, 1 fall at Leisure Centre.

5 claims outstanding for 2023 – all claims above. Awaiting closure on TP reversing into bin & fallen tree claims.

The Managing Director thanked P Kerry for attending the meeting and providing additional context. It would also be useful if an industry trend analysis could be provided.

Following discussion it was agreed that insurance/legal claims should be included on the management dashboard.

The Director of Finance and Resources advised that a number of issues had been identified where better processes/training would result in less liability.

A training session with NEDDC's insurers was requested for leisure, street scene (including union rep) and engineers service areas.

Timescales for submitting documentation was discussed and P Kerry advised that Aviva requested details within 48 hours with further information within one week.

P Kerry agreed to forward the Aviva monthly risk report to the Assistant Director, Street Scene.

The RMG were advised that the insurance excess was £25k. Potential claims were carefully considered due to possible increase in premiums or difficulty obtaining insurance in future.

1.6 Risk Management Action Plan

The Managing Director advised the Group of changes/additions to the Risk Management Action Plan.

- RMS4. *Increase the visibility of Risk Registers.* Action partially achieved. Working with the Director of Finance and Resources and the Communications Manager to embed in new Teams Intranet.
- RMS5. *Consider opportunities for integrating risk management and performance management reporting via management 'dashboard'.* Achieved. Strategic Risk Register now included in the Corporate Management Dashboard.
- RMS6. *Ensure risk management is a regular item at team meetings and incorporated into all service plans.* Achieved. Risk Management embedded in corporate team meeting template and included throughout the Service Planning process.
- RMS9. *Establish an Information Risk Management Framework.* Working towards production – amended target date December 23.
- RMS14. *Further develop the Projects and Partnerships Risk Registers.* Working towards amended target date of December 23.
- RMS19. *Monitor the implementation of the Anti-fraud and Corruption Strategy.* Achieved. Standard agenda item at RMG.
- RMS20. *Further embed operational risk management process ensuring risks are reviewed and information shared constantly. Carry out 'Train the Trainer' with service managers.* Agenda item on Service Managers Forum on 9 January 24.
- RMS21. *Consider developing a risk appetite quick tool.* On going. Target date Jan 24.
- RMS23. *Incorporate trend analysis within risk templates.* On going. Target date Jan 24.
- RMS24. *Consider stress testing / scenario planning strategic risks.* On going. Target date Jan 24.

The RMG approved the updates.

1.7 Review of Strategic Risk Register

The Managing Director advised that all Strategic Risks had been reviewed and updated since the last meeting.

In summary:

- *STR4 - Emergency Planning and Business Continuity arrangements fail to meet required standards.*
Mitigations added:
 - *Training Plan being developed and training log maintained in the Emergency Plan*
 - *The first service level business continuity exercise has been completed in Streetscene. It was well received by staff and good lessons learnt.*
 - *NEDDC participated in a multi-agency major incident (Storm Babet) involving all SMT and business continuity incident (Flooding) and Eckington Depot. Lessons learnt but generally went well.*

- *STR5 - Difficulty in recruiting to key posts or in replacing key staff who leave.*
Mitigation added:
 - *Organisational Development post has been recruited to lead on the Talent Pipeline to add momentum and pace to its delivery.*Further Action Added:
 - *Dedicated web page being created as repository for Talent Pipeline strategy, videos, staff testimonies, benefits of working for the council etc. All in the interests of promoting the organisation to potential and existing employees.*

- *STR7. Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners.*
Mitigation added:
 - *This Group has been reviewed and a Parish Council Conference is proposed for February 24.*

- *STR9. Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.*
Mitigation added:
 - *Staff survey imminent with a focus on leadership and culture.*

- *STR10. Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.*
Further Action added:
 - *Dedicated safeguarding report being developed for reporting through the organisation via Audit Committee.*

- *STR13. Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.*
Mitigations updated/added:
 - *PSN (public Services Network) compliance review undertaken June 22-October 23.*
 - *Presentation to SMT on 6 November 23.*

- *STR15. Climate Change – meeting the challenge and impact upon the organisation in its environment.*

Mitigation Added:

- The dedicated Sustainability Officer who will co-ordinate the delivery of the plan will commence in post on 27th November 2023.

- STR17. *Asylum Dispersal Area status – no longer voluntary for LA's to decide.*

Further Actions Added:

- Regular updates received from Serco & Home Office
- Only a handful of properties (7) in the pipeline to be used for dispersal out of a target of 54
- No impact as yet on supply or community tensions
- Property acquisition process on-going
- No issues to report from dispersal from neighbouring council areas

- STR18. *Devolution and County Deals.*

Mitigations Added:

- Update and situational report produced for Leadership.
- The Council Leader and MD have been involved in a series of meetings to establish a new Strategic Leadership Board to replace Vision Derbyshire Joint Committee and Derbyshire Economic Prosperity Committee, Derbyshire Growth Board to better enable county wide joined up working across a range of common themes and to set up a Strategic Leadership Board as a key interface with the emerging combined authority.

Further Action Added:

- Report due to Council January 24.

- STR19. *Refusals of planning consent being issued based on non-evidenced decisions.*

Further Action Added:

- Further Training Sessions, briefing note on the 'lessons learned' from the appeal at Land South West Of Upperthorpe Road will be presented at the December 2023 Planning Committee meeting.
- A specific member training programme to be developed during 2024 which will include a session on determining applications on sites allocated in the Local Plan.

Resident accusations around flooding were raised. This would be discussed further outside of the meeting.

The Assistant Director, Planning, advised that, as part of the local plan review, flood assessments would be undertaken in future.

- STR20. NW1 (operational register ref). North wood JV – Construction partner collapse

Mitigations Added:

- Northwood sold to Mypad in October 2023.
- The development is back underway and deferred payments secured.

Further Action updated:

- Monitor progress on site, supporting the developer (if required) with knowledge of the site to ensure successful outcomes.

- Monitor stage payment milestones.

The RMG Group considered and agreed that STR20 should remain on the Strategic Risk Register.

- STR22. *Threat to recruitment and retention of senior officers.*
Further Action Added:
 - Head of Paid Service report to Council November 23

The RMG were alerted to the potential for Equal Pay / Job Evaluation claims. This was currently being analysed and would be added in due course.

1.8 **Monitor the Implementation of the Anti-Fraud and Corruption Strategy**

RMG were advised that the Anti-Fraud and Corruption Strategy was currently being refreshed and would be presented to Audit Committee in January 24. Completed actions had been signed off. Outstanding actions were around training and external awareness. The Director of Finance and Resources to produce training programme following the refresh of the strategy for delivery in the new year.

1.9 **Health and Safety Update**

The Health & Safety Manager provided an update:

- Invacuation Guidance. Final amendments being made to the guidance and final document due to be presented to SMT on 4 December 23. C Mills advised that leisure had commenced production of an invacuation process for leisure centres. Cllr Kerry requested members be provided with regular reminders.
- Changes within H&S Team. Interviews for apprentice role to be held on 21 November 23. Successful candidate to attend RMG. H&S Advisor leaving. Consideration to be given to whether to recruit to a joint or separate posts. Vacancy to be advertised as soon as possible.

1.10 **Policies, Plans and Strategies Review – across the Council**

The Managing Director provided an update:

- Strategies were being developed to underpin the Council Plan.
- HR policies being reviewed: disciplinary, sickness absence, drivers work policy. Drivers work policy will demonstrate to insurers and staff that the council is taking drug/alcohol (including prescribed medications) seriously. Grey fleet being considered dependent upon cost versus benefit analysis.

1.11 **Emergency Planning / Business Continuity Planning**

The Emergency Planning Officer provided an update.

- Due to a change within the police the training exercise lead had changed.

- Jessop training to be held February/March 24.
- DCC still in recovery phase. Debriefs taking place. Information to be fed into Emergency Plans and Business Continuity Plans.
- Exercise undertaken in street scene. Highlighted team had a good grasp of incidents street scene may be faced with.
- DCC financial difficulties. EP team currently working with reduced staff.
- Planning. NEDDC flood warning scheme. A Ballard to forward details for publicising. Highways considering allowing local residents to close affected roads. Road would then remain closed until highways had visited to reopen. Training package to be produced with police and fire service, to include sandbags and equipment. Package to be reviewed internally prior to instigating.
- SMT exercise being developed. Dates to be issued in due course.
- Leisure exercise to be undertaken next. The Assistant Director, Street Scene thanked The Emergency Planning Officer for the street scene training session.

With regard to the recent flooding events RMG agreed that incident co-ordination had worked extremely well. There were minor lessons to be learnt. The RMG group thanked the Emergency Planning Officer for his assistance/support through the flooding event.

1.12 **Internal Audit**

The Internal Audit Manager reported the following:

- Audit plan progressing.
- There had been one 'limited' report, EH Pollution and Control. Report to be presented to Audit Committee in December 23. The audit had been conducted at the request of the Assistant Director, Environmental HealthK Eastwood to identify weaknesses/seek improvements.
- CIPFA Lessons Learnt in Respect of S114 Notices. L Baston to circulate link.

<https://www.cipfa.org/cipfa-thinks/insight/learning-lessons-what-section-114-can-teach-us>

J Dethick advised that there was increased pressure on authorities to consider S114 notices due to lack of funding, particularly in upper tier and unitary authorities.

Authorities are 5 years into the Settlement without a review being conducted.

1.13 **Any Other Business**

J Dethick advised that in NEDDC's Constitution risk was the remit of the S151 Officer. This should be reviewed in order to include the SIRO.

2. **Details of Proposal or Information**

- 2.1 To update Members of the Audit Committee of the current position regarding Risk Management arrangements and the Strategic Risk Register as at November 2023.

3 Reasons for Recommendation

- 3.1 The Council have in place a robust Risk Management Strategy and action plan which enables the organisation to manage the many and varied risks facing the Council. The approach to managing those risks is applied within decision making processes and is continuous with a structured review process overseen by the Risk Management Group.
- 3.2 The Risk Management Group is elected Member led and includes the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group provides a comprehensive oversight of risk throughout the organisation and is now becoming the conduit to and from the whole organisation in terms of risk management. The Risk Management Group is now able to provide risk management reporting to stakeholder groups across the Council and will support the production of the Annual Governance Statement.
- 3.3 The Risk Management Group have made significant progress in ensuring that risk is effectively managed within the organisation. By leading on the development and review of all risk related policies, plans and strategies across the Council, the Risk Management Group will provide consistency of approach and alignment of all service areas in relation to risk management. By overseeing and championing the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture, the Risk Management Group will be pivotal in the organisations future success.

4 Alternative Options and Reasons for Rejection

- 4.1 Under relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. The alternative of not providing this is therefore rejected.

DOCUMENT INFORMATION

| Appendix No | Title |
|---|---|
| 1 | Strategic Risk Register as at November 2023 |
| | |
| | |
| 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 you must provide copies of the background papers) | |
| Service Area Operational Risk Registers | |

OFFICIAL-[SENSITIVE]



STRATEGIC RISK REGISTER

22 November 2023

OFFICIAL-[SENSITIVE]

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
|---|---------------------------|------------------------|---|-----|-----------|--|-----|-----------|--|--|-------------|-----|
| STR1 National Funding, Priorities, Policy or Regulatory change which affects the Council area and impacts upon the business of the Council negatively. | | | <ul style="list-style-type: none"> Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations. Increases costs or reduces resources available to the Council directly, or to its key partners. Reduced influence over delivery of local services. Unable to effectively support local communities. Increased demands on Council services at a time when Council resource base is reducing. Failure to deliver the Council Plan. | | | <ul style="list-style-type: none"> The Council is outward looking and actively works to secure details of proposed change identifying mitigation against associated risks, including working to identify new income streams. The Council has effective political and managerial arrangements in place to manage change. Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. The Council has in place a robust Risk Management Framework including Strategic and Service Area risk registers that help identify risks/threats/opportunities; mitigation; and potential further action. Effective engagement with staff to ensure they embrace necessary change. | | | No specific identified further action however ongoing and regular monitoring and review as detailed in the mitigation section, including quarterly review by the Risk Management Group. | SMT / Political Leadership | On going | |
| STR1 | Original Date: Sept 19 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 4x4 | 16 | Residual Risk Score (Likelihood x Impact) | 3x4 | 12 | | | | |
| STR2 Failure to deliver a balanced budget. | | | <ul style="list-style-type: none"> Impact upon ability to deliver current level of services. Significant adverse reputational Impact. Unexpected external factors creating unforeseen financial pressures A one year financial settlement and continued uncertainty over the future of the national settlement presents challenges for medium term financial planning Failure to deliver the Council Plan. | | | <ul style="list-style-type: none"> The Council has effective financial management in place to ensure budget arrangements are robust. The Council has appropriate managerial arrangements and culture in place to manage any necessary change. The Council has sufficient reserves in place to cushion against unforeseen external factors creating financial pressures in the short term. The Council has effective financial resilience monitoring in place that reflects the requirement of the CIPFA Financial Management Code The Council follows the CIPFA code of accounting practice and all International | | | <p>Financial resilience metrics will continue to be produced and monitored by the S151 Officer and reported to Audit Committee</p> <p>Future financial challenges will be considered as an inclusive part of the Council Plan review due to take place in 2023. Work streams will be established to focus on:</p> <ul style="list-style-type: none"> Asset rationalisation Services reviews Establishment reviews Workforce planning | Political Leadership / S151 Officer/ SMT | On going | |

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| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | Financial Reporting Standards when producing their statutory accounts <ul style="list-style-type: none"> The budget is subject to scrutiny by Council, Cabinet, Audit and Corporate Governance Scrutiny Committee, SMT and the auditors (Internal and External). The external auditor reports on the robustness of the Council's finances and arrangements for Value for Money in its annual report The Council commissions external advice for highly specialist areas including treasury management The Annual Governance statement reports on risk areas to the Council including financial risk. This is scrutinised by the Audit and Corporate Governance Committee and the External Auditor | | | <ul style="list-style-type: none"> Identification of ongoing service savings | | | |
| STR2 | Original Date: 16/11/20 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 4x4 | 16 | Residual Risk Score (Likelihood x Impact) | 3x4 | 12 | | | | |
| STR3 The Council is affected by an operational service failure which has a major impact upon the Council as a whole or significant impact upon the local community. | | | <ul style="list-style-type: none"> A significant service failure associated with a major impact on the local community. Deterioration in services to the public, potentially a major impact upon a local resident or a group of local residents. Significant staff and financial resources required to resolve position, impacting on other services. A major service has its operating capacity significantly impacted and is required to introduce major reform in its approach to service delivery. Severe reputational damage | | | <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. Ongoing monitoring and regular reporting helps ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity. The Council has in place a robust Risk Management Framework including Strategic and Service Area risk registers that help identify; | | | No specific identified further action however ongoing and regular monitoring and review as detailed in the mitigation section, including quarterly review by the Risk Management Group. | SMT | On going | |

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| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | risks/threats/opportunities; mitigation; and potential further action. • Strategic and Operational risks are reviewed constantly and consideration given with regard to an escalation of the risk to become a strategic risk. | | | | | | |
| STR3 | Original Date: Sept 19 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x5 | 15 | Residual Risk Score (Likelihood x Impact) | 2x5 | 10 | | | | |
| STR4 Emergency Planning and Business Continuity arrangements fail to meet required standards See STR 13 for Cyber security specific risk | | | <ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, pandemic, fire, loss of ICT systems). Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. Business Continuity Plans prove ineffective in practice. Reputational damage. | | | <ul style="list-style-type: none"> The Council works in partnership with a range of partners on its Emergency Planning and Business Continuity arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and validate that they are fit for purpose in a realistic 'test' scenario. All services have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures and resources failing to be effective. The Council has in place, and continues to develop, industry standard measures to minimise business interruption. Business Continuity exercise has now been delivered during early 2022 focussed upon the loss of access to digital data/systems. An action plan has been developed based upon the learning and findings from the event. A Business Continuity Exercise has been undertaken during November 2022 with | | | Business Continuity exercise Complete Power Outage - An action plan is currently in development based upon the learning and findings from the event. Work is underway with LRF partners across Derbyshire to strengthen the LRF, meeting the newly published LRF Standards. This is alongside transitioning to a Local Resilience Partnership, supported by a small team, upskilling partner organisations and ensuring better community involvement in the development of plans. From July 23 this became live and the LRF is now Derbyshire Resilience Partnership (DRP). Working with Counter Terrorism Police, NEDDC are accessing training materials and direct support to assist in preparation for the Protect Duty referred to as Martin's Law. Recent SMT training undertake 'ACT Strategic'. Further | SMT | Ongoing | |

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| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | <ul style="list-style-type: none"> Recruitment is difficult – In a recent LGA survey 9 out of 10 LA's are struggling to recruit and retain. | | | <p>continuity – a 'grow our own' culture is very prominent.</p> <ul style="list-style-type: none"> The Council has introduced apprenticeship / training schemes / leadership programmes in order to develop suitable staff. Ensuring that the culture and benefits for working for North East Derbyshire DC are 'front and centre' in all recruitment packages. A 'Talent Pipeline' strategy has recently been produced and adopted by the Council. It is very much anchored to our 'continued employee growth' and 'grow your own' corporate mind-set. In essence a talent pipeline is a multi-stream mechanism within which a cohort of candidates are engaged, supported and developed with the intention of filling future roles that might open up within the organisation Organisational Development post has been recruited to lead on the Talent Pipeline to add momentum and pace to its delivery. | | | benefits of working for the council etc. All in the interests of promoting the organisation to potential and existing employees. | | | |
| STR5 | Original Date: Sept 19 | Reviewed Oct 23 | Inherent Risk Score (Likelihood x Impact) | 4x4 | 16 | Residual Risk Score (Likelihood x Impact) | 3x4 | 12 | | | | |
| STR6 Delivery of major initiatives and key projects against a backdrop of challenging financial targets and maintaining service quality. | | | <ul style="list-style-type: none"> New initiatives are not delivered in a cost-effective manner. Failure to maintain / improve services in line with local aspirations. Failure to generate the savings required to balance the budget. Financial savings measures weaken Governance / Internal Control arrangements. Service deterioration / failure arising from capacity issues. | | | <ul style="list-style-type: none"> The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational service delivery projects. | | | None at this stage. | SMT | On going | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | <ul style="list-style-type: none"> Over-stretched organisational capacity. Failure to deliver the Council Plan. | | | <ul style="list-style-type: none"> The Council has a robust performance management framework that is intended to highlight emerging issues. At the meeting in October 2021, Council recognised that the senior management structure was no longer fit for purpose. A re-structure of SMT was approved and implemented. The Council has in place a mechanism/team/group to ensure extensive senior management oversight of key projects which includes; MD; Directors; Statutory Officers who meet weekly with the aim of 'spreading the load' as it were amongst the Council as a whole. The culture we are very much driving through this group, and through SMT and the Council as a whole, is one of NO SILO's and that we are ONE TEAM A recent interim structure change has taken place to deal with the departure of the former Director of Growth – this interim structure has worked well. A permanent SMT structure was to presented to Council in October 2022 with all appointments now in place. | | | | | | |
| STR6 | Original Date: Sept 19 | Reviewed Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | | | | |
| STR7 Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners. | | | <ul style="list-style-type: none"> Failure to provide effective community leadership. Loss of trust in the Council Inability to deliver good quality cost effective services targeted at local needs. Poor outcomes for local residents, due to failure to engage other agencies. Poor relations between Parish Council and District Council could result in | | | <ul style="list-style-type: none"> The Council has in place a range of mechanisms designed to secure feedback from local residents including the Performance Framework, a range of consultation events and the role of Elected Members as local champions. The Council has in place a Parish Council liaison group which meets regularly. This Group has been reviewed and a Parish Council Conference is proposed for February 24. | | | Business engagement mechanisms being developed by Economic Development Team. Communications Team increasing the opportunities for responses to social media output. | SMT / Political Leadership | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | harm/challenge/issues that may result in poor outcomes for local people. | | | <ul style="list-style-type: none"> The Leader's regular update is sent to all Parish Councils. The Council has an active Programmes Team and senior Members / Officers actively engage with other organisations serving the area. The Council's management structures are aligned to our key partnership arrangements. Opportunities and events allow residents to engage with senior officers and members. Review of events completed on 02.12.21 with improvements on engagement and staff resource. Meet the Council events held at Clay Cross and Eckington and Shirland. Stakeholder and/or community consultation and engagement built into major projects and developments such as UKSPF and Clay Cross Town Deal. Regular representative engagement through Citizen's Panel. | | | | | | |
| STR7 | Original Date: Sept 19 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x3 | 6 | | | | |
| STR8 Ineffective 'Good Governance' arrangements including; Performance, Finance and Risk Management. | | | <ul style="list-style-type: none"> Adverse Impact upon Service Quality. Failure to deliver high quality services which address national and local priorities. Significant adverse reputational impact. Risk of legal challenge being successful where suitable arrangements are not in place. | | | <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council. The Council has a robust performance management framework that is intended to highlight emerging issues. The Council has in place a robust Risk Management Framework including | | | No specific identified further action however ongoing and regular monitoring and review as detailed in the mitigation section, including quarterly review by the Risk Management Group. | S151 Officer / Monitoring Officer / SMT | On going | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | <p>Strategic and Service Area risk registers that help identify risks/threats/opportunities; mitigation; and potential further action – these are monitored closely and reported widely throughout the organisation including but not limited to; Risk Management Group; Audit and Corporate Governance Scrutiny committee; Cabinet; and Council.</p> <ul style="list-style-type: none"> The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements. This report is externally assessed. New senior management structure reinforces the protection measures in place for the Council. | | | | | | |
| STR8 | Original Date: Sept 19 | Reviewed Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | | | | |
| STR9 Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances. | | | <ul style="list-style-type: none"> Deterioration in services to the public and loss of productivity. Loss of key staff / increased sickness levels. Increased pressure on other members of staff. Loss of 'goodwill.' | | | <ul style="list-style-type: none"> The Council operates in line HR 'best practice' to help ensure current staff are well managed and motivated. The Council have a range of communication mechanisms in place to ensure staff engagement with the Council's agenda. The Council has reduced its emphasis of securing savings through vacancy management. Whilst the Council cannot control external circumstances it works intensively with the workforce to mitigate the impact of these upon individual employees – for example throughout the pandemic. Both Senior Management and Leadership Team are actively building a 'ONE TEAM' ethos which is built 'top | | | Other activities either ongoing or being planned for the next 12 months and beyond include; <ul style="list-style-type: none"> 'Back to the Floor' sessions – Leadership, MD & Directors across the Council – take part, observe and listen MD to work out of various locations each week – Depot, Leisure Centres – being visible, observing and listening SMT and Cabinet – away-days (blue sky thinking) – business and strategy planning SMT/Cabinet informal collaborative leadership sessions arranged. | SMT | On going | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | <p>down' and 'bottom up' with the aim of getting everyone 'buying in', feeling that they are part of the solution and that everyone has the opportunity to influence our success and shape our future.</p> <p>SMT and Cabinet – away-days (blue sky thinking).</p> <p>Staff survey imminent with a focus on leadership and culture.</p> | | | <ul style="list-style-type: none"> Employee survey due to obtain current staff perceptions Refreshing appropriate policies and training delivered to ensure managers have basic leadership skills | | | |
| STR9 | Original Date: Sept 19 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 3x3 | 9 | | | | |
| STR10 Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults. | | | <ul style="list-style-type: none"> Profile of safeguarding is poor. Staff and members do not know what safeguarding is and their role within it. Staff and members do not know how to spot the signs. Staff and members do not know how to report it and to who? Lack of public confidence in Council policies plans and staff. Reputational damage. Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death. | | | <ul style="list-style-type: none"> The Council has in place up to date policies for safeguarding both Children and Adults at Risk. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities. The Council has in place and maintain systems of working practice to safeguard children and adults at risk during or aligned to Council activities and those who receive Council services. Staff recognised as appropriate to do, are DBS checked All staff receive mandatory safeguarding training The Council organises NEDDC only specific training which is delivered in-house. Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do The Council has an internal safeguarding group which meets quarterly which has | | | <ul style="list-style-type: none"> Regular and ongoing internal audit to assure compliance – every two years. Dedicated safeguarding report being developed for reporting through the organisation via Audit Committee. | SMT / Political Leadership | On going | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | representation from all service areas of the Council. • The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group • The Council are represented on both the Derby and Derbyshire Safeguarding Children's Partnership (DDSCP) and the Derbyshire Safeguarding Adults Board (DSAB). • Safeguarding activity is now reported via the Risk Management report to Audit on a quarterly basis. | | | | | | |
| STR10 | Original Date: 16/11/20 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 5x4 | 20 | Residual Risk Score (Likelihood x Impact) | 4x3 | 12 | | | | |
| STR13 Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time. | | | <ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic event which renders access to ICT unavailable such as Ransomware attack. Potential ICO Fines and reputational damage. Adverse Impact upon Service Quality and income streams. Failure to deliver high quality services which address national and local priorities. Potential ICO fines for loss of data Significant adverse reputational impact. Significant cost to Council. | | | <ul style="list-style-type: none"> See Operational level activities risk reference ICT1 The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. All sections have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. Awareness raising sessions taken place with SMT, Cabinet and other relevant committees. Review response to Cleveland and Redcar case study and report to Cabinet was taken in March 2022. Business Continuity exercise has been delivered focussed upon the loss of access to digital data/systems. Emergency planning to run Cyber security training events. | | | Ongoing work to ensure continued security and compliance. | SMT / Political Leadership | Ongoing | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | <ul style="list-style-type: none"> Improved awareness sessions delivered to Service Managers. Service Managers reviewed business continuity plans specifically relating to cyber-attack. Cabinet paper outlining the response to the Cleveland and Redcar case study and recommendations produced PSN (public Services Network) compliance review undertaken October 23 Presentation to SMT on 6 November 23. | | | | | | |
| STR13 | Original Date: 08/02/21 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 4x5 | 20 | Residual Risk Score (Likelihood x Impact) | 4x4 | 16 | | | | |
| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | Responsible Officer/s | Target Date | RAG |
| STR15 Climate Change – meeting the challenge and impact upon the organisation in its environment | | | <ul style="list-style-type: none"> Meeting potential changes around government policy and targets. Financial pressures of changes required including buildings, fleet, land, utilities etc. Capacity to deliver change – both Human and Financial. Impact upon operations and carbon neutrality targets. Visibility of activity/actions by the Council in this regard. Community Leadership challenge – engagement and education – reputational damage if not seen to be leading by example. Reputational damage if own targets not met. | | | <ul style="list-style-type: none"> Council declared a Climate Emergency 2019. Council Climate Change Strategy 2022-2030 approved December 2022. Key targets for the organisation set to achieve net zero by 2030. Climate Change Group established to track progress and influence change NEDDC leading (chair) the County-wide Climate Change Group. Regular reporting of progress to internal Member/Officer Group. Extensive External Wall Insulation programme undertaken and continuing in regard to Hard to Treat Council housing stock. Asset Carbon Survey undertaken to establish opportunities and threats in relation to building stock. Accommodation review underway to explore possibility of co-location amongst other things. | | | <ul style="list-style-type: none"> Take advantage of further funding opportunities as they arrive. Deliver on the Asset Carbon Survey findings. Deliver on Accommodation Review findings. Council Climate Change Strategy 2022-2030 Action Plan being refreshed. Working with partner councils to develop a joint decarbonisation support approach for local businesses, to launch July 2023. | SMT / Political Leadership | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | | | | | | <ul style="list-style-type: none"> Linking with Cost of Living activity due to mutual outcome synergies. NEDDC in its capacity as county-wide CEO lead is now taking part in the Regional Combined Authority Net Zero Sub-Group. Council Climate Change Strategy 2022-2030 Action Plan published. Launched the UKSPF themes for Shop Front Improvement Scheme and Village Hall and Community Venues committing £500,000 investment. Recruitment of Outreach Workers to support residents achieve energy efficient properties. Launch of the Clay Cross Town Deal Low Carbon Challenge Fund (Phase 1, £645,000) The dedicated Sustainability Officer who will co-ordinate the delivery of the plan will commence in post on 27th November 2023. | | | <ul style="list-style-type: none"> Developing the UKSPF themes of Green Energy Skills for 2024/25. | | | |
| STR15 | Original Date: 07/06/22 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 3x3 | 9 | | | | |
| STR16 Utilities, fuel and general Cost of Living rises | | | <ul style="list-style-type: none"> A disruption to supply chains and lack of raw materials increases the potential to delay or increase the cost of capital projects Financial pressure upon delivery of day-to-day operations i.e. heating buildings, energy, fuel for fleet etc. This combination also impacts upon wider communities, household budgets and the financial security of our residents increasing the cost of everyday | | | <ul style="list-style-type: none"> Internal energy audit across assets (inc depot, leisure centres, business units) Establishing internal Energy Champions Reviewing NEDDC website and links. To include a banner on every page which hyperlinks to a 'Cost of Living Crisis' section on the website Attendance at Internal Financial Inclusion officer group Consideration of what are current short-/medium-/long-term priorities for | | | <ul style="list-style-type: none"> Continue to access and publicise grant opportunities (e.g. LAD funding for EWI works) Extension of Growth Hub-style Work via UKSPF to include energy efficiency advice for businesses Potential unallocated funding from UKSPF business Advice and Guidance theme (£tbc) that could be spent on additional business energy efficiency advice | SMT / Political Leadership | | |

| Area Of Risk (Reference / Date) | Threats / Opportunities | Mitigation / Controls In Place / Actions Undertaken | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| | <p>items including food and the cost of living generally</p> <ul style="list-style-type: none"> These impacts upon the wider community, in-turn have a significant potential to impact further upon Council services through rent arrears from housing and business tenants, increased demand for welfare support and homelessness services amongst many other things | <p>staff (to assess if resources need to be reprioritised)</p> <ul style="list-style-type: none"> emphasising the support to communities already out there – council tax support, housing benefit/UC, discretionary housing payments etc Advice agencies approached on 24.08.22 to discover what they are doing to address the 'Cost of Living Crisis' Meeting with NED/Bolsover/Chesterfield/DCC Financial Inclusion Group on 06.09.22 to identify current support offer and consider new opportunities for support through the UKSPF Inclusive Communities Theme Cross Party group VIPER established to support collaborative approach to tackling this issue The NEWS – have a strong focus on the 'Cost of Living Crisis' for the November edition with dedicated pages and focus on the cover. To include specific help, advice and signposting, including useful 'top tips' (pitched correctly) Greater focus on Cost of Living Crisis and energy efficiency as part of the UKSPF Inclusive Communities Theme [see Partners], such a potential for commissioning third-sector led 'Community Energy Champion' programme Develop multi-channel communication approaches to sharing awareness of support, advice and guidance (i.e. social media, website, The NEWS) Identify if there is potential for extending (short-medium-term) | | | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG | | |
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| | | | | | | provision of Home Assistance Co-ordinator role <ul style="list-style-type: none">Including windows replacement and other appropriate energy efficiency measures as part of UKSPF Shopfront Enhancement themeDeveloped a business-focused energy efficiency pack to educate SME businesses (based on Parish Climate Pack approach)Increased investment for community support by funding the Derbyshire Unemployed Workers' Centres | | | | | | | | |
| STR16 | Original Date: 07/06/22 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 5 x 4 | 20 | Residual Risk Score (Likelihood x Impact) | 4 x 3 | 12 | | | | | | |
| STR17 Asylum Dispersal Area status – no longer voluntary for LA's to decide | | | <ul style="list-style-type: none">Community cohesion / tensionsLoss of private sector housing via Serco procurementIncreased demand / costs re: local / council services | | | <ul style="list-style-type: none">Close liaison with county council via the resettlement, cohesion and integration boardJoined up approach to hot mapping of potential property procurement by using local intelligence via Police, Fire, Schools and council depts., including RHL | | | <ul style="list-style-type: none">Staff trainingSourcing of translation / interpretation servicesRegular updates received from Serco & Home OfficeOnly a handful of properties (7) in the pipeline to be used for dispersal out of a target of 54No impact as yet on supply or community tensionsProperty acquisition process on-goingNo issues to report from dispersal from neighbouring council areas | | | SMT / Political Leadership | | Choose an item. |
| STR17 | Original Date: 07/06/22 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | | | Residual Risk Score (Likelihood x Impact) | | | | | | | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
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| STR18 Devolution and County Deals | | | <ul style="list-style-type: none"> Failure to keep elected members fully informed of the proposals Failure to keep the general public and other stakeholders fully informed of the proposals Failure to effectively communicate the process and timescales for consultation All leading to uninformed decision making by the four upper tier authorities | | | <ul style="list-style-type: none"> Regular and consistent senior District Council involvement in meetings with the four upper tier authorities throughout Regular and consistent updates provided to elected Members and Officers of the Council throughout including; Council, Cabinet, VIPER (cross party group) SMT, staff briefings, Leaders updates and intranet Effective and widespread communication of the proposals and consultation details within the organisation and community via social media, website and printed media Response from the Council to the consultation process Update and situational report has been produced for Leadership. The Council Leader and MD have been involved in a series of meetings to establish a new Strategic Leadership Board to replace Vision Derbyshire Joint Committee and Derbyshire Economic Prosperity Committee, Derbyshire Growth Board to better enable county wide joined up working across a range of common themes and to set up a Strategic Leadership Board as a key interface with the emerging combined authority. | | | <ul style="list-style-type: none"> Follow up update reports to be produced over the next few weeks. Report due to Council January 24 | SMT / Political Leadership | Jan 24 | |
| STR18 | Original Date: 21/01/22 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | | | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
|---|-----------------------------|-----------------------|---|-------|-----------|--|-------|----------|--|----------------------------|-------------|-----|
| STR19 Refusals of planning consent being issued based on non-evidenced decisions | | | <ul style="list-style-type: none"> Potential for reputational and financial loss. | | | <ul style="list-style-type: none"> Training undertaken with members during 2020/21 and non-attendance identified Training put in place for Officers and Members for 2022/23 Officer advice provided at Committee. | | | <ul style="list-style-type: none"> Further Training Sessions. briefing note on the 'lessons learned' from the appeal at Land South West Of Upperthorpe Road will be presented at the December 2023 Planning Committee meeting. A specific member training programme to be developed during 2024 which will include a session on determining applications on sites allocated in the Local Plan. | David Thompson | May/June 23 | |
| STR19 | Original Date: 1.1. 2022 | Review Date Oct 23 | Inherent Risk Score (Likelihood x Impact) | 5 x 5 | 25 | Residual Risk Score (Likelihood x Impact) | 3 x 3 | 9 | | | | |
| STR20 NW1 (operational register ref) North wood JV – Construction partner collapse | | | <ul style="list-style-type: none"> Financial contribution risk – asset/land and loan Site security and insurance Reputational risk of non-delivery – Council seen to spend public money and not deliver objectives Stalled delivery, dispute resolution causing delays Private sector not attracted to the site opportunities – a new contractor cannot be found to deliver in line with business plan objectives Delays in finding a new contractor enhances the risk of cost inflation for construction and skills and increases potential for market value fluctuation Reducing viability of the scheme | | | <ul style="list-style-type: none"> Contract/agreement in place that ensures the asset is returned to the Council in the event of JV failure Notice served on Woodheads for breach of contract (This may be useful when administrators are appointed) Woodheads confirmed that the site remains insured under the group policy until October 2022 Contract restricted to phase A and B – not the whole site We have engaged Freeths (external legal support/advice) for both security of the loan/land and options available to the Council in terms of JV We have approached Savills (external commercial support/advice) we currently await a response including fee proposal should we choose to engage. | | | <p>Monitor progress on site, supporting the developer (if required) with knowledge of the site to ensure successful outcomes.</p> <p>Monitor stage payment milestones</p> | SMT / Political Leadership | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
|--|---------------------------|------------------------|--|--|----|--|--|----|--|--|-------------|-----|
| | | | <ul style="list-style-type: none">Housing Market in poor condition making the development less viable, attractive and saleable. | | | <ul style="list-style-type: none">QS firm engaged to undertake site valuation at point of liquidationFurther discussions ongoing with sector experts including actions to consider/work through in such situationsNEDDC Officers have secured the site changing locks and including provision of onsite security in the short termContact made with most subcontractors to arrange access for tools and plant.Holding discussions held with site sub-contractorsExtensive marketing of the site undertaken and a preferred bidder identified to take on the site.Legal agreements largely in place with a few remaining issues to resolve with the purchaser.Northwood sold to Mypad in October 2023.The development is back underway and deferred payments secured. | | | | | | |
| STR20 | Original Date: 14.9.22 | Review Date: Oct 23 | Inherent Risk Score (Likelihood x Impact) | | 16 | Residual Risk Score (Likelihood x Impact) | | 15 | | | | |
| STR22 Threat to recruitment and retention of senior officers. | | | <ul style="list-style-type: none">Following production of the Pay Policy Statement for 2023/24 the organisation is aware that its senior management pay is considerably lower than most of those in Derbyshire.The pay gap between lowest paid and highest paid is also closing with recent LA pay rises very much favouring the lower end of the pay scales with pay compression becoming evident. | | | <ul style="list-style-type: none">The benefits of working for NEDDC are wider than salary alone. There are a range of benefits including the Councils Agile Working Policy that offers recruitment advantage and these are providing some mitigation.At NEDDC there is also a great culture. Both Senior Management and Leadership Team are actively building a 'ONE TEAM' ethos which is built 'top down' and 'bottom up' with the aim of getting everyone 'buying in', feeling that they are part of the solution and that | | | <ul style="list-style-type: none">External review and assessment of SMT structure and salaries against market conditions followed by a more in-depth risk review of the situation. This will inform future action (or not) in a risk based and risk appetite context.Head of Paid Service report to Council November 23 | SMT < | | |

| Area Of Risk (Reference / Date) | | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned | Responsible Officer/s | Target Date | RAG |
|------------------------------------|------------------------------|-------------------------|--|-----|-----------|---|-----|----|--|--------------------------|-------------|-----|
| | | | <ul style="list-style-type: none"> Over recent months - we are experiencing fewer applicants for SMT roles and vacancies. With each national % pay increase for LA senior roles – the monetary gap between NEDDC senior roles and those in other similar LA organisations increases. Now more than ever before senior officers are placed under exceptional challenge to deliver solutions and strategies to safeguard service provision. Without the appropriate, level of pay we may see talent and experience either not be attracted in the first instance or move away from the public sector at this level. At NEDDC the situation is potentially compounded by the apparent lower than average pay of its senior roles when compared to its near neighbours. | | | <p>everyone has the opportunity to influence our success and shape our future.</p> <ul style="list-style-type: none"> The Council is ensuring that the culture and benefits for working for North East Derbyshire DC are 'front and centre' in all recruitment packages. A 'Talent Pipeline' strategy has also recently been produced and adopted by the Council. It is very much anchored to our 'continued employee growth' and 'grow your own' corporate mind-set. In essence the talent pipeline is a multi-stream mechanism within which a cohort of candidates are engaged, supported and developed with the intention of filling future roles that might open up within the organisation – such a strategy does engender a n increased level of loyalty along with the positive culture described above. | | | | | | |
| STR22 | Original Date: April 2023 | Review Date: Oct 23: | Inherent Risk Score (Likelihood x Impact) | 5x4 | 20 | Residual Risk Score (Likelihood x Impact) | 4x4 | 16 | | | | |

North East Derbyshire District Council

Audit Committee

4 December 2023

SAFEGUARDING UPDATE

Report of the Managing Director

Classification: This report is public

Report By: Lee Hickin, Managing Director

Contact Officer: Lee Hickin, Managing Director

PURPOSE / SUMMARY

- To update Members of the Audit Committee regarding safeguarding arrangements/referrals.

RECOMMENDATIONS

1. That Audit Committee notes the report.

IMPLICATIONS

Finance and Risk: Yes ☐ No ☒

Details:

There are no additional financial implications arising out of this report

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

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

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

No direct issues outside already recognised budgets and resources.

On behalf of the Head of Paid Service

DECISION INFORMATION

| | |
|--|---------------------|
| 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: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.

REPORT DETAILS

1 **Background** *(reasons for bringing the report)*

1.1 **Safeguarding Referrals.**

Safeguarding means protecting people's health, well-being and human rights, and enabling them to live free from harm, abuse and neglect.

Derbyshire County Council (DCC) is the statutory lead for safeguarding in Derbyshire as they have responsibility for adult care and children's services. However, there is a requirement that North East Derbyshire District Council (NEDDC) must work in partnership with DCC to protect adults and children who are most at risk.

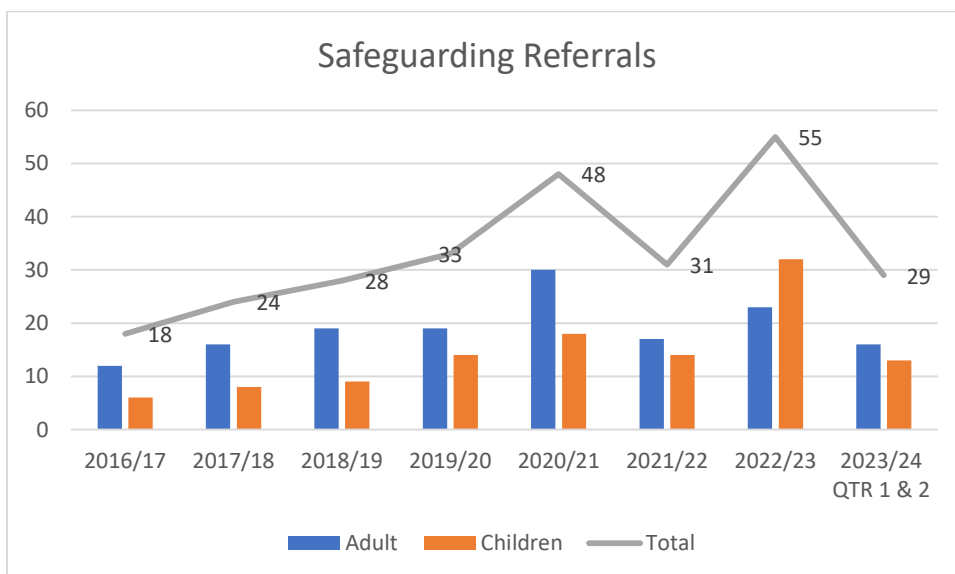
The table below shows trend information from the centrally recorded safeguarding referrals to DCC, from 2016/17 up to Quarter 2 2023/24.

| Year | Total Number of referrals | Split between adult / children | | Department/Organisation Referring to Link Officer | Number of referrals |
|----------------|---------------------------|--------------------------------|-------------|---|---|
| | | Adult | Children | | |
| 2016/17 | 18 | 12 (66%) | 6 (33%) | Housing Options Environmental Health *Contact Centre Leisure | 3 6 8 1 |
| 2017/18 | 24 | 16 (66%) | 8 (33%) | Housing Options Environmental Health *Contact Centre Leisure | 2 4 17 1 |
| 2018/19 | 28 | 19 (68%) | 9 (32%) | Housing Options Environmental Health *Contact Centre Leisure Revenues and Benefits Street Scene Community Development Worker Elections | 3 2 13 1 6 1 1 1 |
| 2019/20 | 33 | 19 (58%) | 14 (42%) | Housing Options Environmental Health *Contact Centre Leisure Revenues and Benefits Legal Councillor Partnership Team DCC's Tell us Once Scheme Planning | 5 2 14 2 4 2 1 1 1 1 |
| 2020/21 | 48 | 30 (62%) | 18 (38%) | Housing Options Environmental Health *Contact Centre Revenues and Benefits Home Start at Derby Partnership Team Dental Practice | 7 2 32 4 1 1 1 |
| 2021/22 | 31 | 17 (55%) | 14 (45%) | Housing Options Environmental Health *Contact Centre Covid Test Centre | 12 1 17 1 |
| 2022/23 | 55 | 23 (42%) | 32 (58%) | Housing Options Environmental Health *Contact Centre Revenues and Benefits Leisure Street Scene Housing Strategy | 10 3 24 4 2 1 1 |

| | | | | | |
|--------------------|-----------|--------------|--------------|----------------------------|----|
| | | | | Human Resources | 1 |
| | | | | Learning Disability Centre | 1 |
| | | | | North Derbyshire | 1 |
| | | | | Newmedica Ltd | |
| | | | | NHS Ambulance | 1 |
| | | | | Health Assured | 1 |
| | | | | Ukrainian Host | 1 |
| | | | | Probation Service | 2 |
| | | | | Family Court | 1 |
| | | | | Counselling Advice | 1 |
| 2023/24 | 29 | 16 | 13 | Housing Options | 7 |
| From 1 | | (55%) | (45%) | *Contact Centre | 19 |
| April to 30 | | | | Revenues and Benefits | 2 |
| September | | | | Sheffield CAMHS | 1 |
| (Q1 and | | | | | |
| Q2) | | | | | |

*NOTE: The Contact Centre receives the most cases for Safeguarding Referrals, this will be due to their role as the first point of contact for the Council. Referrals are identified from tenants and residents who mostly report concerns about their family, friends, and neighbours. On some occasions external organizations report Safeguarding Concerns to the Contact Centre, these are monitored and have been shown in the table.

The Chart shows the number of Safeguarding referrals over time for Adults, Children and overall total per year.



Since 2016/17 the number of referrals has increased over the reporting period, with a noticeable spike during the years 2020/21 and 2022/23. This is especially true for Child referrals which significantly increased during 2022/23.

Factors that could have influenced the referral increases are:

- Covid 19 pandemic – “lockdowns” began 2020, meaning;
 - More people were at home to witness, identify and report adults/children at risk
 - Contact Centre Welfare Checks were identifying adults/children at risk
 - Housing Options team were identifying people that were homeless and at risk of harm to themselves or others
- Domestic Abuse Act 2021 - framework designed to support organisations to identify and respond to domestic abuse and promote best practice. It also recognises children as victims of domestic abuse in their own right which may have led to more referrals.
- Cost of Living Crises – people struggling to pay bills and buy groceries, which can lead to homelessness, mental health illness, neglect and could create hostile environments in the home; this list is not exhaustive.

1.2 Referral Issues Identified

During the year 2022/23 the Council received a number of Safeguarding referrals from external organisations which should have been reported directly to DCC.

This raised a question as to why this was happening. After further investigation, we became aware that DCC’s website could have been misinterpreted. DCC was notified of this and subsequently amended their website.

During the first 2 quarters of 2023/24 less reports of Safeguarding concerns from external organisations have been sent to the Council in error, however we will continue monitoring this situation to ensure the correct procedures are being followed.

1.3 Quarter 1 and 2 2023/24

There were 29 Safeguarding referrals during Quarter 1 and Quarter 2, 2023/24, the majority were reported through the contact centre (19), followed by the Housing Options team (7), Revenues and Benefits (2) and one external organisation, Sheffield CAMHS (Children and Adults Mental Health Services), reporting to NEDDC in error.

There are many reasons why a person is at risk and will require a safeguarding referral. The top reasons for Safeguarding Referrals during Quarter 1 and 2 2023/24, in simple terms, are, threats/thoughts of suicide, Domestic Abuse including child abuse, mental health problems, including drug and alcohol misuse. Most cases are complex and cannot fit into one category, therefore to give an idea of complexity the reasons for the referrals are as follows:

Adults

- 2 cases vulnerable adult requiring help from DCC services
- 5 cases suicidal thoughts
- 1 case Ukrainian refugee with multiple health needs
- 2 cases vulnerable adult being taken advantage of in multiple ways
- 1 case upset thinking social worker was taking money
- 1 case vulnerable adult asked to leave the family home
- 1 case vulnerable adult suffering verbal abuse
- 1 case vulnerable adult who's accommodation is in disrepair
- 1 case vulnerable adult who is suffering financial abuse
- 1 case mental health problems and potential abuse

Children

- 1 case request from the family to implement multi-agency support (sent to NEDDC instead of DCC)
- 2 cases mother suffering Domestic Abuse
- 1 case alleged sexual assault to the child
- 1 case groomed by gang in another Local Authority area when staying with a parent (County Lines)
- 1 case neglect and financial abuse to mother
- 1 case reported that mother stated child was inconvenient to her social life
- 1 case abuse of children suffering mental and physical abuse
- 1 case at risk due to mother using drugs and partying with neighbours
- 1 case child abuse by mother
- 1 case Anti-Social Behaviour including drugs and parties
- 1 case verbal abuse to a baby by parent
- 1 case drug use and domestic violence

Each case is considered on an individual basis with a variety of actions taken which as well as a referral to social care, can include Police, co-operation with social care / Police investigations, safe and well checks, VARM plans (Vulnerable person risk management), monitoring, etc.

When a referral is made to DCC, where relevant and appropriate, council departments may be informed, for example, the Council's Environmental Health, Housing Options and Community Safety teams. Rykneld Homes Limited will also be informed if the vulnerable person at risk is living in a Council property. This is to ensure a joined-up approach to Safeguarding and the person at risk gets the help required. Any information shared will have due regard to the Safeguarding data protection legislation.

Cases may be brought to the NEDDC safeguarding group to establish lessons learned, key themes and where appropriate discussion. Feedback

and escalation via the Derbyshire Districts Safeguarding Lead Sub Group is also an option.

1.4 Safeguarding Policy Update

It was agreed at the Derbyshire District Safeguarding Leads Sub Group that a Safeguarding Policy would be developed by all District / Borough Councils across Derbyshire together; this will ensure consistency of service and a partnership approach to Safeguarding in Derbyshire.

The Policy has now been drafted and was approved for adoption by the Council at Cabinet on the 26th October 2023.

The “Safeguarding Policy and Procedures, Protecting Children and Adults at Risk”, will replace the current Adult and Child Safeguarding policies.

The Safeguarding Policy has been adapted in line with the Council's reporting procedures, therefore the current reporting procedures in place will not be amended.

Included in the policy are information sheets giving contact details and advice on;

- Children at risk of Exploitation (CRE)
- Domestic Abuse
- Hate Crime
- Modern Slavery
- PREVENT
- Guidelines for Photography and Filming

1.5 Learning and development

Internal Training Update

Diane Parker (Housing Strategy), Joanne Richardson (Housing Options) and Emma Tonking (Housing Options) have taken over the corporate internal training sessions to give an overview of Safeguarding and the reporting procedures within the Council. The training is compulsory for new starters and existing employees as a Safeguarding refresher course.

To date 1 session has been completed with 15 attendees. The training received good feedback.

Training for Private Landlords

A Private Sector Strategy has been commissioned and is currently being developed. Within the strategy and the Action Plan it is envisioned that Private Landlords receive Safeguarding training, this may be implemented by the Council through the Landlord forum but it is yet to be decided how the training will take place.

The training session will help landlords identify vulnerable people at risk in the Private Rented Sector.

1.6 Derbyshire District Safeguarding Leads Sub Group Training

A Safeguarding Adults and Neurodiversity Webinar was held on 6 July 23 and a further Teams session had been arranged for 12 December 23. Currently 35 people are booked onto the December training session. NEDDC have requested a session specifically for elected members. Elected members were welcome to join the meeting on 12 December 23.

Safeguarding Adults training delivered by Josie Hill, DCC Adult Social Care. Face to face sessions were held between February and April 23 attended by 50 people. A virtual session had been held on 7 September, attended by 86 people.

‘Train the trainer’ training with regard to social care to be arranged to enable districts and boroughs to continue to deliver key information to staff and teams.

Introduction to Safeguarding – Keeping Children Safe – Level 1 (used to be Everybody’s Business) training, + recommended all staff undertake as a minimum.

DCC were considering NEDDC’s current training package with a view to advising whether any additional information should be included e.g. case studies.

1.7 Derbyshire District Safeguarding Leads Sub Group Update

The Derbyshire Districts Safeguarding Leads Sub-Group meets on a quarterly basis and all district and borough safeguarding leads are invited. The Group has had a significant impact in improving safeguarding by providing a safe space to discuss safeguarding concerns and enable Derbyshire Districts to have a united, stronger voice at the safeguarding boards. Key activities include:

- Section 11 Audit – improvement discussions.
- Improved access to joint briefings, training and a range of different safeguarding topics.
- Promotion of wider safeguarding activity.
- Provided opportunities for discussion on shared challenges, concerns and opportunities to escalate issues to statutory partner agencies.
- Discussion and dissemination of learning from local and serious case reviews.
- Development of joint policies and resources.
- National supply and world-wide shortage of medication to support people with ADHA which means we may see some erratic behaviour in schools and communities, this may lead to more safeguarding referrals.

1.8 Key progress year end 2022/23

- Review of Terms of Reference
- Communications Contact Information collated and shared.
- Section 11 Audit (Derby and Derbyshire Safeguarding Children Partnership, Arrangements for Safeguarding and Promoting the Welfare of Children and Young People – Strategic and Organisational Self-Assessment) completed.
- Adoption of Generic Safeguarding Policy template. (Approved at Cabinet on 26 October 23)
- DDSLSG Chair attended DSAB and DDSLP Board meetings to provide an update.

1.9 Key activities for 2023/24

- Landlord Safeguarding Training procedure for implementation.
- Derbyshire wide Safeguarding Policy implemented.
- Safeguarding training to continue.
- Training, learning and development assurance exercise. To understand what safeguarding training each authority is accessing and delivering in order to develop consistency where possible and identify gaps.
- Annual review of Safeguarding Policy template.
- Section 11 Audit completion.

2. Details of Proposal or Information

- 2.1 To update Members of the Audit Committee on safeguarding arrangements.

3 Reasons for Recommendation

- 3.1 To keep members of the Audit Committee updated and sighted on all arrangements relating to safeguarding as a key element of the overarching risk management framework.

4 Alternative Options and Reasons for Rejection

- 4.1 This report could be shared and reviewed by a Scrutiny Committee or Council directly. However, it is felt that the Audit Committee is the right place to report back on safeguarding issues as it is a key feature of the overarching framework.

DOCUMENT INFORMATION

| Appendix No | Title |
|-------------|-------|
| | |
| | |

| | |
|---|--|
| | |
| 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 you must provide copies of the background papers) | |
| | |

North East Derbyshire District Council

Audit Committee

4 December 2023

Statement of Accounts 2022/23

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To approve the audited Statement of Accounts for 2022/23, as attached as **Appendix 1** to this report.

RECOMMENDATIONS

1. That the Audit and Corporate Governance Scrutiny Committee approve the audited Statement of Accounts in respect of 2022/23
2. That delegated powers are granted to the Director of Finance & Resources (S151 Officer) in consultation with the Chair or Vice Chair of the Audit 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.

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations.

On Behalf of the Solicitor to the Council

Staffing**Yes****No ✓**

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

| | |
|---|---------------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | N/A |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | N/A |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

| |
|---|
| Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications. |
| All |

REPORT DETAILS**1 Background**

- 1.1 The Statement of Accounts is a statutory document which sets out the Council's income and spending during the financial year and its balances at the end of the financial year.
- 1.2 The documents that make up the Statement of Accounts are complex and are required to be prepared in line with the accounting rules that apply to all councils.
- 1.3 The statements are audited by the Council's external auditors, Mazars LLP who provide an opinion with regard to the quality or integrity of the financial information, including the principal of 'going concern'.

2 Details of Proposal or Information

Statement of Accounts

- 2.1 The External Audit team, Mazars LLP, has been undertaking work on the Statement of Accounts and the outcomes of the external audit work are set out in the Audit Completion Report presented by Mazars as part of this agenda.
- 2.2 Attached as **Appendix 1** to this report is the Council's Audited Statement of Accounts in respect of 2022/23. The External Auditor's work is substantially complete however there may be some changes still requested by the External Auditors following completion. It is not anticipated that there will be any material changes between the version attached and the final Statement of Accounts for 2022/23.
- 2.3 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 Director of Finance and Resources (S151 Officer) in consultation with the Chair or Vice Chair of this Committee to agree any final changes to the Council's Statement of Accounts 2022/23. 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.

3 Reasons for Recommendation

- 3.1 The external audit process in respect of 2022/23 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.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

| Appendix No | Title |
|--------------------------|--|
| 1 | North East Derbyshire District Council – Statement of Accounts 2022/23 |
| Background Papers | |
| | |



North East Derbyshire District Council

STATEMENT OF ACCOUNTS

2022/23

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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 102,000 people and operates alongside Derbyshire County Council in providing local authority services to our residents. The Council has 408 employees. This report sets out how the Council has served our community during the 2022/23 financial year outlining both our service delivery and financial performance. Whilst the main emphasis is on the previous financial year, the report also covers the ability of the Council to continue to provide sustainable services which meet local needs, and outlines how the Council works in partnership to enhance the prosperity of the communities served.

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 2022/23, while linking current performance to our strategic objectives and plans for the future.

2022/23 was the last year of the Council Plan 2019 – 2023. The 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 Council 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

| Strategic Aim / Priorities | Progress Against Key Targets |
|--|--|
| Our Economy - Creating a business friendly District that develops skills and jobs <ul style="list-style-type: none">○ Supporting businesses to maximise their potential skills○ Develop and promote a visitor economy across the District○ Implementing a revised District Growth Strategy○ Town centre regeneration | <ul style="list-style-type: none">○ Delivered four successful job fairs○ Awarded £2.5 million UK Shared Prosperity funding to deliver grant schemes for town centre improvements including new shop fronts. These schemes are open and receiving applications.○ Supported a further 200 local businesses through advice and signposting (500 since 2021).○ Determined 87% of major planning applications within standard, exceeding the national target of 60%○ Determined 70.6% of non-major planning applications within |

NARRATIVE REPORT

| | |
|--|---|
| | standard exceeding the national target of 60% |
| <p>Our Residents - Enhancing our residents' quality of life</p> <ul style="list-style-type: none"> ○ Providing a range of leisure facilities for our communities ○ Engage better with our Communities ○ Improving our housing ○ Protecting the most vulnerable within our communities ○ Help communities address local issues and concerns | <ul style="list-style-type: none"> ○ Across our leisure centres we have achieved our highest level of gym membership and swimming lesson figures ○ Killamarsh leisure centre fully refurbished and re-opened with improved facilities and choice for leisure users and visitors ○ Awarded 24 community action grants totalling £10,258.09. This included 6 applications for Queen's Platinum Jubilee and 8 applications for Coronation celebrations. ○ Exceeded our target of 25% of affordable homes on new sites at 38%. ○ The Council continues to invest in the voluntary and community organisations to assist vulnerable and disadvantaged households. Over 20, 000 households supported in 2022/23. (Actual for 2022/23 confirmed at end of June) ○ Delivered in partnership with Rykneld Homes nine new bungalows in Danesmoor of which two are fully wheelchair accessible and all have carbon reduction features including air source heat pumps ○ Exceeded our targets for processing new Housing Benefit and Council Tax Support claims providing a quicker service for residents ○ Held a specific engagement event for BSL speaking residents to build on our consultation commitment under the BSL Charter |

NARRATIVE REPORT

| | |
|--|---|
| <p>Our Environment - Protecting and promoting the character of our District</p> <ul style="list-style-type: none"> ○ Protect the character of our District ○ Tackle climate change ○ Ensure a clean, green environment ○ Enhance the natural environment | <ul style="list-style-type: none"> ○ Made external wall insulation improvements to 427 council properties ○ Completed decarbonisation works at Dronfield Leisure Centre ○ Conducted 19 litter picks and Love Where You Live initiatives in 2022/23 ○ The Council continues to actively provide information to residents and businesses to support its climate change pledges via its website, social media and events ○ Exceeded its target for fixed penalty notices for litter and dog fouling (51 against a target of 39) to continue to protect the district |
| <p>Delivering high quality cost effective services by engaging with residents, partners and Council staff</p> <ul style="list-style-type: none"> ○ Transforming how our Council works ○ Creating a safe District in which to live and work ○ Being a listening Council ○ Providing high quality street scene ○ Providing an effective Planning Service | <ul style="list-style-type: none"> ○ 57.8% of Contact Centre transactions were digital exceeding our target of 50% ○ Made more efficient use of its space at its offices at Mill Lane and embedded hybrid working ○ Continues to use its powers to tackle antisocial behaviour by issuing 21 Community Protection Warning and 6 Community Protection Notices ○ Responded to 95% of noise complaints within 3 working days ○ Replied to 92% of complaints concerning licensable activities within 3 working days exceeding our target. ○ Carried out 90 enforcement visits to check compliance with waste arrangements exceeding our target ○ The Council provide an effective and friendly customer contact centre, supported by telephony, text, webchat, BSL video relay and internet access to services. ○ The Council is predicting an outturn of 36% against its recycling target of 50% and falls |

NARRATIVE REPORT

| | |
|--|--|
| | <p>short of its ambition in this area. The long hot summer in 2022 greatly affected the amount of garden waste collected together with fewer residents than expected choosing to use their caddy for food waste</p> <ul style="list-style-type: none">○ The Council met its street cleanliness target of 96% - (sample survey methodology)○ Undertaking proactive planning enforcement exercises after securing additional resource |
|--|--|

The above provides a 'snapshot' of the Council's performance for 2022/23. During this year we have seen significant recovery to our leisure participation figures following recovery from the impact of the Covid legacy. There has also been notable successes in achieving our digital transactions target and leisure centre investment projects. More work is needed to improve the Council's recycling target, new Government initiatives due to be launched in 2024 will aid this alongside our own initiatives. The Council is currently putting together its new council plan and will be reviewing its ambition following local elections in May 2023.

As part of the Performance Management Framework the Council systematically collect details of complaints and compliments. This information allows us to address any specific issues that have arisen and also to better understand where services are in need of improvement. Our performance management arrangements mean that the Council is well placed to identify and address areas of concern before they escalate into matters which could undermine service delivery. There is a Customer Service Code of Practice and Standards in place and a Compliments, Comments and Complaints Policy.

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:

- National Funding, Priorities, Policy or Regulatory change which affects the Council area and impacts upon the business of the Council negatively.
- Failure to deliver a balanced budget.
- Operational service failure which has a major impact upon the Council as a whole or significant impact upon the local community

NARRATIVE REPORT

- Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by incidents such as pandemic, natural disaster, a loss of data / systems which results in the inability to provide core services and potential reputational damage.
- Difficulty in recruiting to key posts or in replacing key staff who leave.
- Delivery of major initiatives and key projects whilst implementing a range of new government reforms against a backdrop of challenging financial targets and maintaining service quality
- Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners
- Ineffective 'Good Governance' arrangements including; Performance, Finance and Risk Management.
- Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.
- Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.
- Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.
- Meeting the challenge and impact upon the organisation in its environment of Climate Change.
- Impact on the organisation and its communities of rising cost of living.
- Impact of Asylum Dispersal Area Status now it is no longer voluntary for LA's to decide.
- Devolution and County Deals
- Refusals of planning consent being issued based on non-evidenced decisions
- Risks associated with the Company's development joint venture, Northwood Group Ltd, following the collapse of the main contractor.
- Threat to recruitment and retention of senior officers.

Our organisation is risk aware rather than risk averse as the decision whether to accept risk has to be taken in light of the potential benefits of a proposed course of action. The extent to which the Council is risk averse, will undoubtedly impact on its potential to progress available opportunities to secure benefits for local residents.

NARRATIVE REPORT

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

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 and in 2022/23 a 2.58% (£5) increase was levied, increasing the Band D Council Tax charge to £198.34

During 2022/23, 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 January 2022 with a savings target of £0.111m to be identified from transformation savings, property rationalisation and income generation.

The Council managed to balance the final year end position without having to utilise funds from the Resilience Reserve as had been anticipated in the revised budget. This is largely as a result of savings in pay costs.

As detailed below, the net cost of services outturn position of £12.377m was £0.576m lower than the budget forecast:

| | Current Budget 2022/23 £000 | Outturn 2022/23 £000 | Variance £000 |
|------------------------------------|--|-------------------------------------|--------------------------|
| Finance and Resources Directorate | 3,550 | 3,366 | (184) |
| Organisation and Place Directorate | 6,541 | 6,388 | (153) |
| Growth and Assets Directorate | 2,862 | 2,623 | (239) |
| Net Cost of Services | 12,953 | 12,377 | (576) |

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 maintain the level of General Fund balances at £2m which is considered a realistic level.

North East Derbyshire District Council Statement of Accounts 2022/23

NARRATIVE REPORT

Against the background of recovery, from firstly the pandemic then the cost of living crisis and 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 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. In April 2020 the new Social Housing Rent Standard came into force which is externally regulated by the Housing Regulator and applies to all registered providers of social housing. For the first time, the Government directed the Regulator to apply the rent standard to all registered providers and this includes local authorities. The Standard confirms that rent increases of up to CPI + 1% for the next five years will be permitted, commencing April 2020. A rent increase of 4.1% was applied in 2022.

The management of the Council's housing is undertaken by Rykneld Homes Limited, a wholly owned subsidiary of the Council. Rykneld Homes Limited is funded by the Council's Housing Revenue Account through the payment of a Management Fee which for 2022/23 was agreed at £10.398m.

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 £0.581m less than anticipated, as detailed below. The HRA reserves remain at £3m as at 31 March 2023. A contribution of £0.164m was transferred to the Insurance Reserve to meet known future commitments. 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 2022/23 £000 | Outturn 2022/23 £000 | Variance £000 |
|-----------------------------|--|-------------------------------------|--------------------------|
| Housing Revenue Account | (10,124) | (9,543) | 581 |
| Net Cost of Services | (10,124) | (9,543) | 581 |

NARRATIVE REPORT

Capital expenditure and resources

The Council has invested £29.274m on capital schemes in the year. This is split between the Housing Revenue Account (£20.304m) and General Fund capital expenditure (£8.970m).

The main capital schemes delivered in 2022/23 by the Council were:

- Council housing stock investment programme of £17.289m;
- Pine View Redevelopment Scheme of £1.310m;
- HRA parking solutions of £0.158m
- North Wingfield New Build Scheme of £0.139m
- Stock Purchase scheme of £0.836m;
- Private Sector Disabled Facilities Grants of £0.572m;
- Eckington Swimming Pool Energy Efficiency Scheme of £0.132m;
- Dronfield Sports Centre Energy Efficiency Scheme of £1.582m
- Killamarsh Leisure Centre Refurbishment of £1.174m;
- Clay Cross Towns Fund Programme including Sharley Park of £3.233m;
- Vehicle Replacement £0.884m;
- UK Shared Prosperity Fund of £0.281m
- Eckington Depot Refurbishment £0.776m
- Other capital schemes of £0.908m.

The capital programme was fully financed in the year utilising grants (£6.361m), prudential borrowing (£1.772m), major repairs and development reserves (£18.350m), RCCO (£0.085m) and usable capital receipts from asset sales (£2.706m).

Treasury Management

At 31 March 2023, the Council has a total capital financing requirement (Council debt) of £192.269m. This shows a net increase in the year of £4.857m. The net increase reflects prudential borrowing of £1.772m and increase to general debt of £3.085m due to loans to Rykneld Homes Ltd and Northwood Group, this is offset by contributions towards general debt. The prudential borrowing relates to the refurbishment of Killamarsh Leisure Centre (£1.132m), borrowing for the North Wingfield project (£0.139m) and the purchase of dwellings for the HRA (£0.501m). The level of debt repayment reflects the Council's commitment to repay the approved scheduled debt repayments in the year (£0.410m).

To meet the capital financing requirement the Council has external borrowing from the Public Works Loans Board (£146.921m). The remainder is effectively financed from utilising the Council's own reserves and balances (£45.348m). During the year the Council repaid £0.111m 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 2022/23, so no leasing liabilities remain.

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Assets

During 2022/23 the Council completed the sale of 46 council dwellings under the Right to Buy Legislation and 1 dwellings on the open market, these were offset by the addition of 9 dwellings for affordable rent to the HRA stock.

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 £69.894m. These include general reserves of £5.000m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £7.928m that relates to unapplied capital grants, earmarked general fund revenue reserves of £21.272m and earmarked HRA reserves of £30.860m. The Council also has £3.863m of usable capital receipts at 31 March 2023. It should be noted that many of these resources are committed to fund future service delivery or spend is subject to specific 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

Business Rates

As part of the Business Rates Retention Scheme, a number of years ago 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 2022/23, £15.901m of Business Rates income was raised. An anticipated deficit of £4.157m was forecast in the previous year. During the year £16.229m was paid on account with the in-year surplus of £4.042m and opening deficit balance of £2.940m leaving a surplus balance of £1.102m at 31 March 2023. The Council's share of the surplus is £0.441m.

Council Tax

In 2022/23 £67.874m of Council Tax Income was raised. After taking account of appropriate charges to the Collection Fund the balance (£67.171m) is shared between the precepting authorities. In 2022/23, £66.193m was precepted on the Collection Fund account and a further £0.703m was paid out in relation to previous years surpluses. This leaves a surplus in year of £0.197m which when added to the opening surplus on the

NARRATIVE REPORT

fund (£0.654m) leaves a surplus on the fund of £0.851m at 31 March 2023. The Council's share of the surplus is £0.125m.

Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council has seen a decrease in the liabilities of £40.539m and a decrease in the fair value of assets of £3.704m. The fund shows a net decrease in the pension liability of the Council by £36.835m to £6.014m at 31 March 2023.

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.

In the Autumn Statement the Chancellor announced that difficult decisions will be necessary to put national public finances back on to a sustainable footing in the medium term. Further, all public sector bodies will be required to keep spending focused on their priorities and to help manage pressures from higher inflation they will need to identify efficiency savings in their day-to-day budgets.

In the local government finance policy statement 2023-24 – 2024-25 published on 12 December 2022, the Government confirmed that the next two years will essentially be rollover settlements but stated that there are still several matters that remain unresolved for 2024/25. The policy statement encourages local authorities to utilise reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support financial sustainability.

Funding reforms or changes to funding distribution will not be implemented until 2025-26 at the earliest now which relieves some pressure on the next two years. However, forecasting for the remainder of the financial plan is challenging whilst little is known about the next Spending Review. There is a real lack of certainty from 2025/26 which makes financial planning with any accuracy for future years difficult, especially in light of the medium term fiscal forecasts and the need to achieve sustainable public services, as outlined in the Autumn Statement and subsequent Financial Settlement.

Whilst the Council continues to face significant financial challenges over the next four years, it has 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 and so is well placed to meet these challenges. It is these key factors that support my view that the Council can continue to perform effectively, whilst ensuring that it maintains a balanced budget.

General Fund

The UK's economic and fiscal outlook has deteriorated significantly since March 2022. Higher inflation and interest rates, coupled with slower economic growth, have hit the [*North East Derbyshire District Council Statement of Accounts 2022/23*](#)

NARRATIVE REPORT

national public finances. The increase in energy costs and the higher than forecast pay awards have caused significant funding pressures for all public bodies. Further, these financial pressures were placed on organisations after they had set their budgets and shaped their medium term financial forecasts. Like many other public bodies, this has led to the Council facing a number of significant and unforeseen external pressures in 2023/24, some of which continue into the medium term. The main pressures related to pay and energy cost rises which resulted in an additional £2m being built into 2023/24 forecasts. A council tax increase of 2.99% was approved by Council in respect of 2023/24.

The Council set the budget in February 2023, with a shortfall of £0.784m in respect of 2022/23, which can be funded from the Resilience Reserve should it be required. The estimated cumulative shortfall in the medium term financial plan until 2026/27 is £5.3m. This is largely the result of increased shortfalls in the latter years when uncertainty over government funding has been estimated.

Whilst there is little detail available yet on the financial impact of the national funding reforms, it is likely that some form of transitional protection or “damping” will be provided to minimise the initial impact for those councils in a worse financial position. At this stage the nature and impact of the funding reforms and the potential for damping payments to be made is hugely uncertain so it is prudent in the absence of any assurance to exclude these from the forecasts in the medium term financial plan at this time. Whilst it is good financial management to do so, it is this assumption that largely creates the pressure on the later years in the financial plan. The future of local government funding and proposed reforms will be kept under close review.

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 continues to invest in the stock spending in the region of £12m per annum, including investment in the high number of non-traditional properties in the district.

Capital Projects

The Council has invested considerable sums in its assets over recent years and continues to do so over the next four years. Proposed capital investment for the General Fund totals £45m and includes delivery of the Clay Cross Town Deal projects and a vehicle replacement programme.

The capital investment for the HRA over the next four years totals £82.5m. This includes £44m investment into our housing stock plus a further £20m invested into energy wall insulation and other energy saving measures for our non-traditional build stock. £17m has been included for new build development and acquisition programmes.

NARRATIVE REPORT

Management Arrangements

Following a period of considerable change over recent years, there has been the opportunity over the past year to build stability through the senior management team and embed the collaborative leadership and “one team” ethos throughout.

**Jayne Dethick CPFA,
Director of Finance & Resources (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 2023 and its financial performance during the year.

Introductory Statements and Notes (Pages 16-49)

This section includes:

Statement of Responsibilities for the Statement of Accounts (Page 17)

Accounting Policies (Pages 18-39)

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 40-43)

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

Movement in Reserves Statement (Pages 45-46)

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 47)

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 48)

This statement details the financial position of the Council as at 31st March 2023; its assets, liabilities, balances and reserves.

NARRATIVE REPORT

The Cash Flow Statement (Page 49)

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 50-119)

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 51-55)

Movement in Reserves Statement Notes (Pages 56-57)

Comprehensive Income and Expenditure Statement Notes (Pages 58-62)

Balance Sheet Notes (Pages 63-96)

Cash Flow Statement Notes (Pages 97-98)

Other Notes (Pages 99-119)

Supplementary Single Entity Financial Statements (Pages 120-132)

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

The Housing Revenue Account (HRA) (Pages 121-128)

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 121)

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 122)

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 129-132)

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.

North East Derbyshire District Council Statement of Accounts 2022/23

NARRATIVE REPORT

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

Group Accounts (Pages 133-142)

The Council established an Arm's 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 143-149)

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

Annual Governance Statement (Page 151-162)

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

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 Director 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 Director of Finance and Resources Responsibilities

The Director 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 2023.

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 2023.

Signed by:

Jayne Dethick CPFA

Director of Finance and Resources and Section 151 Officer

Date: 24/05/23

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 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23 supported by UK endorsed 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:

ACCOUNTING POLICIES

- 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.

ACCOUNTING POLICIES

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 in the Treasury Management Strategy. The Council has decided that for 2022/23 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of £56,000 per year until the debt is extinguished. All other prudential borrowing for the General Fund is repaid based on the life of the asset.

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.

ACCOUNTING POLICIES

NNDR - Impairment of Appeals

Each year the Council commissions an independent assessment 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 Expected Credit Losses

The Council's accounting policy does not strictly comply with the expectations of IFRS9 which requires a credit loss estimation approach. The Council is satisfied that there are no material differences in the overall value of the estimated loss and provision under the two approaches. Provisions for expected credit losses 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 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.

ACCOUNTING POLICIES

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 [*North East Derbyshire District Council Statement of Accounts 2022/23*](#)

ACCOUNTING POLICIES

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 *North East Derbyshire District Council Statement of Accounts 2022/23*

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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)

ACCOUNTING POLICIES

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

Financial Assets Measured at Amortised Cost

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

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

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

Expected Credit Loss Model

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

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

Recognition

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.

Measurement

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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 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.

ACCOUNTING POLICIES

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 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

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ACCOUNTING POLICIES

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:

Internal Audit Services - with Bolsover District Council and Chesterfield Borough Council

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.

ACCOUNTING POLICIES

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;
- A finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. 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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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

North East Derbyshire District Council Statement of Accounts 2022/23

ACCOUNTING POLICIES

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

Organisation & Place Directorate – Environmental Health, Streetscene, Planning, Legal, Governance, Elections, Scrutiny, Human Resources, Health and Safety.

Finance & Resources Directorate - Payroll, Procurement, Financial Services, Revenues and Benefits, Audit (client), Housing Strategy, Homelessness, Community Safety,

Growth & Assets Directorate – Emergency Planning, Regeneration & Programmes; Tourism, Property Estates & Assets; Leisure.

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 2022/23.

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 2023/24 code:

- Amendments to IFRS 16 Leases: only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year. Specific accounting change in 2022/23 for Authorities who adopted IFRS 16 in 2022/23 but chose to defer IFRS 16 implementation to PFI/PPP arrangements until 2023/24.
- Amendments to IAS 8 : Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 : Updating a Reference to the Conceptual Framework

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 Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. 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.
- The Council has determined the impairment of financial assets based on a range of factors including aged debt profiling of sundry debtors, housing benefit overpayments, council tax and business rates.

GENERAL NOTES

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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Arrears

At 31 March 2023, the Authority had total outstanding arrears of £6.405m. This was made up of a sundry debtor balance of £1.629m, rents of £1.582m, over paid housing benefits of £1.435m, NNDR payers of £0.470m, and council tax payers of £1.289m. A review of bad debt provision has been undertaken based on the age of the debt, and a total doubtful debt provision of £3.587m has been made in the Accounts. All allowances have been reviewed in the context of the financial impact of the cost of living crisis on collection rates.

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 £0.350m.

Earmarked Reserves

A sum of £0.452m 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 (£7.082m). 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 was been created to mitigate against any future impact to the General Fund.

Property, Plant and Equipment

The Council's assets are reviewed for impairment on an annual basis by the valuers procured by the Council. 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 £1.131m 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 Council with expert advice about the assumptions to be applied.

During 2022/23 the Council's actuaries advised that the net pension liability had decreased by £36.835m. This is made up of:

- £40.056m actuarial gain
- £3.221m loss arising from employer contributions of £3.329m being less than the pension obligations of £6.550m

The effect of changes in the individual assumptions can be measured. For instance a 0.1% decrease in the discount rate assumption would result in a decrease in the pension liability of £2.138m. A 0.1% increase in the assumed salary increase rate would result in a £0.282m increase in the pension liability and an increase of 0.1% in the assumed pension rate would increase the pension liability by £1.884m. A one year increase in member life expectancy would increase the defined benefit obligation by £5.144m

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. 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 2023. The Council's share of the balance of business rate appeals provisions is 40% and equates to £0.832m (2021/22: £1.045m).

GENERAL NOTES

5 Prior Period Adjustments

There have been no prior period adjustments to the published financial statements for 2022/23.

CORE SINGLE ENTITY FINANCIAL STATEMENTS

CORE SINGLE ENTITY FINANCIAL STATEMENTS

2022/23

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.

| 2022/23 | General Fund Balances £'000 | HRA Balances £'000 | 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 2022 | 22,569 | 35,355 | 2,983 | 2,239 | 3,070 | 66,216 | 245,240 | 311,456 |
| Movement in Reserves during 2022/23: | | | | | | | | |
| Total Comprehensive Income and Expenditure | 4,537 | 3,836 | 0 | 0 | 0 | 8,373 | 63,019 | 71,392 |
| Adjustments from I&E charged under the accounting basis to the funding basis under regulation | (3,834) | (5,331) | 880 | (1,268) | 4,858 | (4,695) | 4,695 | 0 |
| Increase or (decrease) in 2022/23 | 703 | (1,495) | 880 | (1,268) | 4,858 | 3,678 | 67,714 | 71,392 |
| Balance at 31 March 2023 | 23,272 | 33,860 | 3,863 | 971 | 7,928 | 69,894 | 312,954 | 382,848 |

MOVEMENT IN RESERVES STATEMENT

| 2021/22 | General Fund Balances £'000 | HRA Balances £'000 | 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 2021 | 22,526 | 37,681 | 2,682 | 2,174 | 4,349 | 69,412 | 175,326 | 244,738 |
| Movement in Reserves during 2021/22: | | | | | | | | |
| Total Comprehensive Income and Expenditure | 2,370 | 8,758 | 0 | 0 | 0 | 11,128 | 55,590 | 66,718 |
| Adjustments from I&E charged under the accounting basis to the funding basis under regulation | (2,327) | (11,084) | 301 | 65 | (1,279) | (14,324) | 14,324 | 0 |
| Increase or (decrease) in 2021/22 | 43 | (2,326) | 301 | 65 | (1,279) | (3,196) | 69,914 | 66,718 |
| Balance at 31 March 2022 | 22,569 | 35,355 | 2,983 | 2,239 | 3,070 | 66,216 | 245,240 | 311,456 |

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.

The Council's General fund Directorates changed in 2022/23 and the 2021/22 Cost of General Fund Services analysis has been restated to enable comparison.

| 2021/22 - Restated | | | 2022/23 | | |
|--------------------|----------|----------------------|-------------|----------|----------------------|
| Expenditure | Income | Net | Expenditure | Income | Net |
| £'000 | £'000 | Expenditure £'000 | £'000 | £'000 | Expenditure £'000 |
| 3,896 | (5,157) | (1,261) | 23,325 | (20,613) | 2,712 |
| 41,407 | (33,057) | 8,350 | 15,588 | (7,277) | 8,311 |
| 3,450 | (3,243) | 207 | 11,490 | (13,709) | (2,219) |
| 48,753 | (41,457) | 7,296 | 50,403 | (41,599) | 8,804 |
| 16,750 | (31,701) | (14,951) | 23,253 | (32,796) | (9,543) |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 65,503 | (73,158) | (7,655) | 73,656 | (74,395) | (739) |
| | | | | 0 | |
| | | 8,839 | | | 5,610 |
| | | 3,510 | | | 4,773 |
| | | (15,822) | | | (18,017) |
| | | (11,128) | | | (8,373) |
| | | (36,775) | | | (22,963) |
| | | (18,815) | | | (40,056) |
| | | (55,590) | | | (63,019) |
| | | (66,718) | | | (71,392) |

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 2022 | | Note | 31 March 2023 |
|------------------|------------------------------|--------------|------------------|
| £'000 | | | £'000 |
| 443,158 | Property, Plant & Equipment | Note 10 | 473,533 |
| 62 | Heritage Assets | Note 10 & 11 | 62 |
| 21,357 | Investment Property | Note 12 | 21,813 |
| 34 | Intangible Assets | Note 13 | 23 |
| 12,245 | Long Term Debtors | Note 14 | 15,463 |
| 476,856 | Long Term Assets | | 510,894 |
| 0 | Assets Held for Sale | Note 15 | 0 |
| 119 | Inventories | Note 16 | 131 |
| 8,688 | Short Term Debtors | Note 17 | 10,206 |
| 42,243 | Cash and Cash Equivalents | Note 18 | 28,072 |
| 51,050 | Current Assets | | 38,409 |
| (155) | Short Term Borrowing | Note 19 | (4,156) |
| (24,389) | Short Term Creditors | Note 20 | (11,554) |
| (1,053) | Provisions (short term) | Note 21 | (1,053) |
| (25,597) | Current Liabilities | | (16,763) |
| (1,081) | Provisions (long term) | Note 21 | (867) |
| (146,921) | Long Term Borrowing | Note 19 | (142,809) |
| (42,851) | Other Long Term Liabilities | Note 19 & 39 | (6,016) |
| (190,853) | Long Term Liabilities | | (149,692) |
| 311,456 | Net Assets | | 382,848 |
| (66,216) | Usable Reserves | MIRS & 22 | (69,894) |
| (245,240) | Unusable Reserves | MIRS & 23 | (312,954) |
| (311,456) | Total Reserves | | (382,848) |

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.

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| (11,128) Net (surplus) or deficit on the provision of services | (8,373) |
| Adjustment to surplus or deficit on the provision of services for noncash (20,557) movements | (9,376) |
| Adjust for items included in the net surplus or deficit on the provision of 9,235 services that are investing and financing activities | 15,053 |
| (22,450) Net Cash flows from operating activities (note 24) | (2,696) |
| 16,617 Investing Activities (note 25) | 16,756 |
| 2,205 Financing Activities (note 26) | 111 |
| (3,628) Net (increase) or decrease in cash and cash equivalents | 14,171 |
| (38,615) Cash and cash equivalents at the beginning of the reporting period | (42,243) |
| (42,243) Cash and cash equivalents at the end of the reporting period (note 18) | (28,072) |

NOTES TO THE CORE SINGLE ENTITY
FINANCIAL STATEMENTS

**NOTES TO THE CORE
SINGLE ENTITY
FINANCIAL
STATEMENTS**

2022/23

EXPENDITURE & FUNDING ANALYSIS NOTES

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 Council's General fund Directorates changed in 2022/23 and the 2021/22 Cost of Services analysis at Note 1 and Note 1a has been restated to enable comparison.

| 2022/23 | | | |
|--|---|---|--|
| | Net expenditure chargeable to the GF/HRA £'000 | Adjustments between Funding and accounting basis £'000 | Net expenditure in CIES £'000 |
| Finance and Resources Directorate | 3,366 | (654) | 2,712 |
| Organisation and Place Directorate | 6,388 | 1,923 | 8,311 |
| Growth and Assets Directorate | 2,623 | (4,842) | (2,219) |
| Housing Revenue Account | (4,212) | (5,331) | (9,543) |
| Net Cost of Services | 8,165 | (8,904) | (739) |
| Other Income and Expenditure | (7,372) | (261) | (7,634) |
| (Surplus) or Deficit on Provision of Services | 793 | (9,165) | (8,373) |

EXPENDITURE & FUNDING ANALYSIS NOTES

| 2021/22 - Restated | | | |
|--|---|---|----------------------------------|
| | Net expenditure chargeable to the GF/HRA £'000 | Adjustments between Funding and accounting basis £'000 | Net expenditure in CIES £'000 |
| Finance and Resources Directorate | 2,783 | (610) | 2,173 |
| Organisation and Place Directorate | 5,604 | 2,462 | 8,066 |
| Growth and Assets Directorate | 2,044 | (4,987) | (2,943) |
| Housing Revenue Account | (3,240) | (11,711) | (14,951) |
| Net Cost of Services | 7,191 | (14,846) | (7,655) |
| Other Income and Expenditure | (4,908) | 1,435 | (3,473) |
| (Surplus) or Deficit on Provision of Services | 2,283 | (13,411) | (11,128) |

| General Fund and HRA Balances | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening GF and HRA Balances @ 1 April | 57,924 | 60,207 |
| Net surplus/(deficit) on GF in year | (793) | (2,283) |
| Closing GF and HRA balance at 31 March | 57,131 | 57,924 |

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

EXPENDITURE & FUNDING ANALYSIS NOTES

1a 2022/23

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 |
|---|---|--|----------------------------|----------------------------|
| Finance & Resources Directorate | 96 | (756) | 6 | (654) |
| Organisation & Place Directorate | 35 | 1,879 | 9 | 1,923 |
| Growth & Assets Directorate | (5,732) | 914 | (24) | (4,842) |
| Housing Revenue Account | (5,331) | 0 | 0 | (5,331) |
| Net Cost of Services | (10,932) | 2,037 | (9) | (8,904) |
| <i>Other operating expenditure and income</i> | 200 | 1,184 | (1,645) | (261) |
| Difference between GF (surplus) / deficit and CIES (surplus) / deficit | (10,732) | 3,221 | (1,654) | (9,165) |

EXPENDITURE & FUNDING ANALYSIS NOTES

1a 2021/22 - Restated

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 |
|---|---|--|----------------------------|----------------------------|
| Finance & Resources Directorate | 78 | (666) | (21) | (609) |
| Organisation & Place Directorate | 403 | 2,053 | 6 | 2,462 |
| Growth & Assets Directorate | (5,910) | 926 | (4) | (4,988) |
| Housing Revenue Account | (11,711) | 0 | 0 | (11,711) |
| Net Cost of Services | (17,140) | 2,313 | (19) | (14,846) |
| <i>Other operating expenditure and income</i> | 2,155 | 1,186 | (1,906) | 1,435 |
| Difference between GF (surplus) / deficit and CIES (surplus) / deficit | (14,985) | 3,499 | (1,925) | (13,411) |

Adjustments for Capital Purposes

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

EXPENDITURE & FUNDING ANALYSIS NOTES

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 accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

The table below shows the amount of income received from external sources given on a segmental basis. The Council's General fund Directorates changed in 2022/23 and the 2021/22 Income from Services analysis has been restated to enable comparison.

| | 2022/23 | 2021/22 Restated |
|---|-------------------------------------|-------------------------------------|
| | Income from Services £'000 | Income from Services £'000 |
| Finance & Resources Directorate | (20,613) | (27,418) |
| Organisation & Growth Directorate | (7,277) | (8,436) |
| Growth & Assets Directorate | (13,709) | (5,603) |
| Housing Revenue Account | (32,796) | (31,701) |
| Other Operating Income | 0 | 0 |
| Total income analysed on a segmental basis | (74,395) | (73,158) |

MOVEMENT IN RESERVES NOTES

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.

| 2022/23 | 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) | 3,221 | 0 | 0 | 0 | 0 |
| • Council Tax and NNDR (transfers to or from the Collection Fund) | (1,645) | 0 | 0 | 0 | 0 |
| • Pooled Funds (transfers to or from the Pooled Funds Investment Account) | (38) | 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) | (904) | 14,070 | 0 | 0 | 0 |
| Total Adjustments to Revenue Resources | 625 | 14,070 | 0 | 0 | 0 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (75) | (3,512) | 3,587 | 0 | 0 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 0 | 0 | 0 | 0 | 0 |
| Posting of HRA resources from revenue to the Major Repairs Reserve | 0 | (15,423) | 0 | 15,423 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 0 | 0 | 0 | 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 | (75) | (18,935) | 3,587 | 15,423 | 0 |
| Adjustments to Capital Resources | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (2,707) | 0 | 0 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | (16,691) | 0 |
| Application of capital grants to finance capital expenditure | (4,391) | (466) | 0 | 0 | 4,858 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 7 | 0 | 0 | 0 | 0 |
| Total Adjustments to Capital Resources | (4,384) | (466) | (2,707) | (16,691) | 4,858 |
| Total Adjustments | (3,834) | (5,331) | 880 | (1,268) | 4,858 |

MOVEMENT IN RESERVES NOTES

| 2021/22 | 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) | 3,499 | 0 | 0 | 0 | 0 |
| · Council Tax and NNDR (transfers to or from the Collection Fund) | (1,905) | 0 | 0 | 0 | 0 |
| · Pooled Funds (transfers to or from the Pooled Funds Investment Account) | 10 | 0 | 0 | 0 | 0 |
| · Holiday Pay (transfers to or from the Accumulated Absences Reserve) | (19) | 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) | (6,478) | 10,157 | 0 | 0 | 0 |
| Total Adjustments to Revenue Resources | (4,893) | 10,157 | 0 | 0 | 0 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (65) | (5,112) | 5,177 | 0 | 0 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 2,393 | 0 | (2,393) | 0 | 0 |
| Posting of HRA resources from revenue to the Major Repairs Reserve | 0 | (17,174) | 0 | 17,174 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 0 | 0 | (1,266) | 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 | 2,328 | (22,286) | 1,518 | 17,174 | 0 |
| Adjustments to Capital Resources | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (1,217) | 0 | 0 |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | (17,109) | 0 |
| Application of capital grants to finance capital expenditure | 221 | 1,045 | 0 | 0 | (1,279) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 17 | 0 | 0 | 0 | 0 |
| Total Adjustments to Capital Resources | 238 | 1,045 | (1,217) | (17,109) | (1,279) |
| Total Adjustments | (2,327) | (11,084) | 301 | 65 | (1,279) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

3 Material Items of Income and Expense

2022/23

There are no material items of Income and Expense to be disclosed separately during 2022/23.

2021/22

There are no material items of Income and Expense to be disclosed separately during 2021/22.

4 Other Operating Expenditure

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 3,387 | Parish Council Precepts and Council Tax Reduction Contribution | 3,467 |
| 2,393 | Payments to the Government Housing Capital Receipts Pool | 0 |
| 3,059 | (Gains)/Losses on the disposal of non-current assets | 2,143 |
| <u>8,839</u> | Total | <u>5,610</u> |

5 Financing and Investment Income & Expenditure

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 5,227 | Interest payable and similar charges | 5,901 |
| 1,186 | Net interest on the net defined benefit liability | 1,184 |
| (503) | Interest receivable and similar income | (1,977) |
| (2,471) | Income and expenditure in relation to investment properties and changes in their fair value | (473) |
| 71 | Other investment income | 138 |
| <u>3,510</u> | | <u>4,773</u> |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

6 Taxation and Non Specific Grant Income

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| 0 Services Grant | (193) |
| (205) Lower Tier Services Grant | (128) |
| (360) New Homes Bonus Grant | (720) |
| (497) Capital Grants and Contributions | (854) |
| 0 Council Tax Freeze Grant | 0 |
| (1,062) | (1,895) |
| (5,107) Business Rates Retention | (6,159) |
| (9,653) Council Tax Income (includes parish precepts) | (9,963) |
| (15,822) Total Grants | (18,017) |

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 2022/23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

| | 2022/23 £'000 | 2021/22 £'000 |
|---|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| See note 6 | (1,895) | (1,062) |
| <u>Credited to Services</u> | | |
| Contain Outbreak Management Grant | 0 | (127) |
| Council Tax Admin Grant | (112) | (269) |
| Disabled Facilities Grant | (820) | (820) |
| Discretionary Fund Grant | 0 | (162) |
| Energy Support New Burdens | (163) | 0 |
| Healthy North East Derbyshire Grant | 0 | (227) |
| Homelessness Prevention Grant | (244) | (171) |
| Homelessness Support Grant | 0 | (200) |
| Housing Benefit Admin Grant | (250) | (248) |
| Housing Benefit New Burdens Grants | (62) | (56) |
| Modern Planning Software Grant | 340 | (400) |
| New Towns Fund | (7,556) | (1,205) |
| Police & Crime Commissioner Elections Grants | 0 | (120) |
| Police Authority Contributions | (33) | (33) |
| PSDS3 Grant | (948) | 0 |
| Rent Allowances Grant | (5,019) | (5,224) |
| Rent Rebates Grant | (10,623) | (10,848) |
| Section 106 Grants | (1,111) | (1,051) |
| UK Shared Prosperity Fund | (331) | 0 |
| Other Contributions | (1,328) | (1,774) |
| Other Grants | (348) | (258) |
| <u>Covid-19 Related Grants</u> | | |
| Additional Restrictions Grant | 15 | (726) |
| Business Restart Grant | 0 | (4,518) |
| Closed Business Lockdown Payments Grant | 0 | (17) |
| Covid-19 LA Support Grant | 0 | (491) |
| Covid-19 New Burdens Grant | (44) | (297) |
| Local Authority Discretionary Grants | 10 | 0 |
| Local Restriction Support Grant (Closed) | 0 | (8) |
| Local Restriction Support Grant (Open) | 0 | (84) |
| Omicron Hospitality & Leisure Grant | 0 | (715) |
| Test & Trace Grant | 0 | (310) |
| Total | (28,627) | (30,359) |
| Overall Grants Total | (30,522) | (31,421) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

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 2022/23.

| | Balance at 31st March 2021 £'000 | Transfers Out 2021/22 £'000 | Transfers In 2021/22 £'000 | Balance at 31st March 2022 £'000 | Transfers Out 2022/23 £'000 | Transfers In 2022/23 £'000 | Balance at 31st March 2023 £'000 |
|-----------------------------|---|--------------------------------------|-------------------------------------|---|--------------------------------------|-------------------------------------|---|
| General Fund: | | | | | | | |
| Revenue Grant Reserve | (5,965) | 2,942 | (3,176) | (6,199) | 2,160 | (2,272) | (6,311) |
| Legal Reserve | (460) | 0 | 0 | (460) | 8 | 0 | (452) |
| Car Park Enforcement | (4) | 0 | 0 | (4) | 0 | 0 | (4) |
| Planning Policy | (155) | 22 | (47) | (180) | 0 | (46) | (226) |
| Invest to Save | (3,460) | 426 | 0 | (3,034) | 284 | 0 | (2,750) |
| Crematorium | (440) | 0 | 0 | (440) | 0 | 0 | (440) |
| Revenue Projects | (24) | 0 | 0 | (24) | 0 | 0 | (24) |
| Insurance Reserve | (89) | 0 | 0 | (89) | 0 | 0 | (89) |
| Business Rates | (6,837) | 296 | 0 | (6,541) | 0 | (541) | (7,082) |
| Investment Properties R & M | (121) | 6 | 0 | (115) | 85 | 0 | (30) |
| Resilience Reserve | (2,320) | 210 | (491) | (2,601) | 0 | (327) | (2,928) |
| Other Reserves | (651) | 42 | (273) | (882) | 66 | (120) | (936) |
| Total | (20,526) | 3,944 | (3,987) | (20,569) | 2,603 | (3,306) | (21,272) |
| HRA: | | | | | | | |
| Insurance Reserve | (595) | 0 | (50) | (645) | 0 | (164) | (809) |
| Development Reserve | (2,382) | 223 | (391) | (2,550) | 1,659 | 0 | (891) |
| Debt Repayment Reserve | (31,700) | 2,540 | 0 | (29,160) | 0 | 0 | (29,160) |
| HRA Capital Grant Reserve | (4) | 4 | 0 | 0 | 0 | 0 | 0 |
| ALMO Deficit Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (34,681) | 2,767 | (441) | (32,355) | 1,659 | (164) | (30,860) |
| Total | (55,207) | 6,711 | (4,428) | (52,924) | 4,262 | (3,470) | (52,132) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

9 Expenditure and Income by nature

| | 2022/23 | 2021/22 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Expenditure | | |
| Employee Expenses | 16,777 | 16,961 |
| Premised Related Expenditure | 2,503 | 1,828 |
| Transport Costs | 691 | 567 |
| Supplies and Services | 26,409 | 30,834 |
| Support Services | 1,672 | 1,559 |
| Transfer Payments | 15,856 | 16,303 |
| Capital Financing Costs | 14,228 | 1,214 |
| Interest Payments | 5,901 | 5,227 |
| Precepts and Levies | 3,467 | 3,387 |
| Payments to Housing Capital Receipts Pool | 0 | 2,393 |
| Total Expenditure | 87,504 | 80,273 |
| Income | | |
| Fees, Charges and Other Service Income | (45,451) | (43,068) |
| Interest and Investment Income | (1,977) | (478) |
| Government Grants | (30,507) | (31,408) |
| Business Rate Retention | (6,159) | (5,107) |
| Income From Council Tax | (9,963) | (9,653) |
| Recharges and Other Income | (1,820) | (1,687) |
| Total Income | (95,877) | (91,401) |
| Surplus or Deficit on the Provision of Services | (8,373) | (11,128) |

The significance of IFRS15 has been considered and does not have material impact on amounts or timing of revenue recognition.

BALANCE SHEET NOTES

10 Property, Plant and Equipment

| Movements in 2022/23 | | | | | | | | | | | |
|---|-------------------|--------------------------|-------------------------------|-----------------------|-----------------|------------------|----------------|---------------------------|--|---------------|-----------------------------------|
| | 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 2022 | 402,265 | 35,346 | 6,759 | 213 | 62 | 1 | 14 | 3,681 | 448,341 | 0 | 448,341 |
| Movement in cost or valuation | | | | | | | | | | | |
| Reclassification | 911 | 2,750 | (20) | 0 | 0 | 0 | 0 | (4,469) | (828) | 0 | (828) |
| 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 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | (1) | 0 | (1) |
| Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April | 0 | (2) | 0 | 0 | 0 | 0 | 0 | 0 | (2) | 0 | (2) |
| Additions | 16,856 | 159 | 933 | 0 | 0 | 138 | 0 | 7,812 | 25,898 | 0 | 25,898 |
| Impairment of Additions - Revaluation Reserve | (2,306) | (324) | 0 | 0 | 0 | 0 | 0 | 0 | (2,630) | 0 | (2,630) |
| Impairment of Additions - CIES | (9,355) | (3,126) | 0 | 0 | 0 | (138) | 0 | 0 | (12,619) | 0 | (12,619) |
| Disposals | (5,840) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,840) | 0 | (5,840) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March | 13,859 | 3,163 | 0 | 0 | 0 | 0 | 0 | 0 | 17,022 | 0 | 17,022 |
| Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March | 8,533 | 1,333 | 0 | 2 | 0 | 0 | 0 | 0 | 9,868 | 0 | 9,868 |
| As at 31st March 2023 | 424,923 | 39,298 | 7,672 | 215 | 62 | 1 | 14 | 7,024 | 479,209 | 0 | 479,209 |

BALANCE SHEET NOTES

| Movements in 2022/23 | | | | | | | | | | | |
|--|----------------------------|--------------------------------------|---|--------------------------------|--------------------------|---------------------------|-------------------------|---------------------------------------|---|------------------------|---|
| | 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 |
| Accumulated Depreciation | | | | | | | | | | | |
| At 1st April 2022 | 0 | 0 | (5,121) | 0 | 0 | 0 | 0 | 0 | (5,121) | 0 | (5,121) |
| Movement in depreciation reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation Charge | (8,290) | (488) | (493) | (1) | 0 | 0 | 0 | 0 | (9,272) | 0 | (9,272) |
| 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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to the surplus/deficit on provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 206 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 206 | 0 | 206 |
| Depreciation reversed due to impairment review | 8,084 | 488 | 0 | 1 | 0 | 0 | 0 | 0 | 8,573 | 0 | 8,573 |
| As at 31st March 2023 | 0 | 0 | (5,614) | 0 | 0 | 0 | 0 | 0 | (5,614) | 0 | (5,614) |
| Net Book Value | | | | | | | | | | | |
| Balance Sheet Net Amount at 31st March 2023 | 424,923 | 39,298 | 2,058 | 215 | 62 | 1 | 14 | 7,024 | 473,595 | 0 | 473,595 |
| Balance Sheet Net Amount at 31st March 2022 | 402,265 | 35,346 | 1,638 | 213 | 62 | 1 | 14 | 3,681 | 443,220 | 0 | 443,220 |

BALANCE SHEET NOTES

| Movements in 2021/22 | | | | | | | | | | | |
|---|--------------------------|---------------------------------|--------------------------------------|------------------------------|------------------------|-------------------------|-----------------------|----------------------------------|---|----------------------|--|
| | 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 2021 | 363,436 | 25,092 | 6,242 | 293 | 58 | 1 | 10 | 1,610 | 396,742 | 0 | 396,742 |
| Movement in cost or valuation | | | | | | | | | | | |
| Reclassification | 1,580 | 0 | 0 | 0 | 0 | 0 | 0 | (1,582) | (2) | 0 | (2) |
| 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 | 4,468 | 0 | 0 | 4 | 0 | 0 | 0 | 4,472 | 0 | 4,472 |
| Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of service - 1 April | 0 | (15) | 0 | 0 | 0 | 0 | 0 | 0 | (15) | 0 | (15) |
| Additions | 18,753 | 4,695 | 517 | 0 | 0 | 0 | 0 | 3,653 | 27,618 | 0 | 27,618 |
| Impairment of Additions - Revaluation Reserve | (1,555) | (63) | 0 | 0 | 0 | 0 | 0 | 0 | (1,618) | 0 | (1,618) |
| Impairment of Additions - CIES | (11,862) | (26) | 0 | 0 | 0 | 0 | 0 | 0 | (11,888) | 0 | (11,888) |
| Disposals | (8,319) | 0 | 0 | (138) | 0 | 0 | (10) | 0 | (8,467) | 0 | (8,467) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve - 31 March | 24,573 | 852 | 0 | 57 | 0 | 0 | 9 | 0 | 25,491 | 0 | 25,491 |
| Revaluation increases/(decreases) recognised in surplus/deficit on the provision of service - 31 March | 15,659 | 343 | 0 | 1 | 0 | 0 | 5 | 0 | 16,008 | 0 | 16,008 |
| As at 31st March 2022 | 402,265 | 35,346 | 6,759 | 213 | 62 | 1 | 14 | 3,681 | 448,341 | 0 | 448,341 |

BALANCE SHEET NOTES

| Movements in 2021/22 | | | | | | | | | | | |
|--|-------------------|--------------------------|-------------------------------|-----------------------|-----------------|------------------|----------------|---------------------------|--|---------------|-----------------------------------|
| | 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 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Accumulated Depreciation | | | | | | | | | | | |
| At 1st April 2021 | 0 | (589) | (4,408) | (1) | 0 | 0 | 0 | 0 | (4,998) | 0 | (4,998) |
| Movement in depreciation reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation Charge | (7,731) | (403) | (713) | (1) | 0 | 0 | 0 | 0 | (8,848) | 0 | (8,848) |
| 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 | 0 | 444 | 0 | 0 | 0 | 0 | 0 | 0 | 444 | 0 | 444 |
| Depreciation written out to the surplus/deficit on provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 293 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 294 | 0 | 294 |
| Depreciation reversed due to impairment review | 7,438 | 548 | 0 | 1 | 0 | 0 | 0 | 0 | 7,987 | 0 | 7,987 |
| As at 31st March 2022 | 0 | 0 | (5,121) | 0 | 0 | 0 | 0 | 0 | (5,121) | 0 | (5,121) |
| Net Book Value | | | | | | | | | | | |
| Balance Sheet Net Amount at 31st March 2022 | 402,265 | 35,346 | 1,638 | 213 | 62 | 1 | 14 | 3,681 | 443,220 | 0 | 443,220 |
| Balance Sheet Net Amount at 31st March 2021 | 363,436 | 24,503 | 1,834 | 292 | 58 | 1 | 10 | 1,610 | 391,744 | 0 | 391,744 |

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 2022/23 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 £7,024,436 (£3,681,174, 2021/22). This figure is made up from work on the Refurbishing Council Dwellings £105,110, North Wingfield Scheme £255,597, Pine View Redevelopment £934,540, Redevelopment of Sharley Park Leisure Centre £2,596,922, Dronfield Sports Centre Energy Efficiency Project £1,581,829, Eckington Pool Energy Efficiency Project £1,532,110 and other projects £18,328.

BALANCE SHEET NOTES

Impairment

The Council has impaired £15.249m of capital works undertaken during 2022/23 (£13.506m, 2021/22) of which £12.619m (£11.888m, 2021/22) has been put through the Comprehensive Income and Expenditure Statement and £2.630m (£1.618m, 2021/22) through the Revaluation Reserve. It is recognised that this expenditure is not reflected in the overall value of the property.

The 31 March 2023 impairment gains of £26.890m (£41.499m gains, 2021/22) arise as values are adjusted to reflect current market values within the asset categories shown, of which £9.868m gain (£16.008m gain, 2021/22) has been put through the Comprehensive Income and Expenditure Statement and a gain of £17.022m (£25.491m gain, 2021/22) through the Revaluation Reserve.

Capital Commitments

The following table identifies the capital commitments at the end of the financial year.

| | 31 March 2023 | 31 March 2022 |
|---|----------------------|---------------|
| | £'000 | £'000 |
| Disabled Facilities Grants | 210 | 214 |
| Sharley Park Active Community Hub Rebuild Project | 22,946 | 0 |
| Total Commitments | 23,156 | 214 |

Revaluations

A certified Valuation Report has been prepared by Barlow Property Consultancy for Council Dwellings and Wilks, Head and Eve, Chartered Surveyors and Town Planners for 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 2019. Council Housing stock is valued on the basis of market value with vacant possession less a regional reduction. For 2022/23 this is 42% (2021/22 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 2023:

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- 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 Council undertakes a full revaluation of all assets on a 5 year rolling programme with a desktop review of values each year as at 31 March. The following table shows the current value of the assets but is broken down into the year they last had their full inspected revaluation:

| | 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 | 7,672 | 215 | 0 | 1 | 0 | 7,024 | 14,912 |
| Valued at current value: | | | | | | | | | |
| 31st March 2023 | 0 | 29,964 | 0 | 0 | 0 | 0 | 14 | 0 | 29,978 |
| 31st March 2022 | 0 | 0 | 0 | 0 | 62 | 0 | 0 | 0 | 62 |
| 31st March 2021 | 0 | 633 | 0 | 0 | 0 | 0 | 0 | 0 | 633 |
| 31st March 2020 | 424,923 | 7,159 | 0 | 0 | 0 | 0 | 0 | 0 | 432,082 |
| 31st March 2019 | 0 | 1,542 | 0 | 0 | 0 | 0 | 0 | 0 | 1,542 |
| Total cost or valuation | 424,923 | 39,298 | 7,672 | 215 | 62 | 1 | 14 | 7,024 | 479,209 |

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 2021 | 58 | 58 |
| Revaluations | 4 | 4 |
| 31 March 2022 | 62 | 62 |
| 1 April 2022 | 62 | 62 |
| Revaluations | 0 | 0 |
| 31 March 2023 | 62 | 62 |

Civic Regalia

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 2021/22 financial year.

Heritage Assets: Five year summary of transactions

| | 2022/23 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Balance B/fwd | 62 | 58 | 58 | 58 | 58 |
| Revaluation of Assets | | | | | |
| Civic Regalia | 0 | 4 | 0 | 0 | 0 |
| Disposal of Assets | | | | | |
| Civic Regalia | 0 | 0 | 0 | 0 | 0 |
| Balance C/fwd | 62 | 62 | 58 | 58 | 58 |

BALANCE SHEET NOTES

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.

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Rental Income from investment property | (566) | (579) |
| Direct operating expenses arising from investment property | 53 | 110 |
| Capital Transactions | 40 | (2,002) |
| Net (gain)/loss | (473) | (2,471) |

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.

The Council has disclosed the impact of COVID-19 on the valuer's process and the material uncertainty attached to these valuations as at 31 March 2023.

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 with comparators for 2021/22 are as follows:

| 2022/23 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Fair value as at 31 March 2023 £'000 |
|-----------------------------|------------------|------------------|------------------|---|
| Industrial Units | 0 | 10,197 | 0 | 10,197 |
| Commercial Properties | 0 | 1,179 | 0 | 1,179 |
| Land | 0 | 9,044 | 0 | 9,044 |
| Shared Ownership Properties | 0 | 1,393 | 0 | 1,393 |
| Total | 0 | 21,813 | 0 | 21,813 |

BALANCE SHEET NOTES

| 2021/22 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Fair value as at 31 March 2022 £'000 |
|-----------------------------|------------------|------------------|------------------|---|
| Industrial Units | 0 | 9,809 | 0 | 9,809 |
| Commercial Properties | 0 | 1,155 | 0 | 1,155 |
| Land | 0 | 8,963 | 0 | 8,963 |
| Shared Ownership Properties | 0 | 1,430 | 0 | 1,430 |
| Total | 0 | 21,357 | 0 | 21,357 |

- 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 £21.813m 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.

BALANCE SHEET NOTES

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

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Balance B/fwd | 21,357 | 19,401 |
| Reclassifications - Asset moved from OLB | 541 | 0 |
| <i>Additions:</i> | | |
| Purchases | 0 | 0 |
| Enhancements | 51 | 17 |
| Disposals | (96) | (63) |
| Net gains/losses from fair value adjustments | (40) | 2,002 |
| Balance C/fwd | 21,813 | 21,357 |

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 | Enterprise Software Capita AIM Software Mitel Software Tranman Software |

BALANCE SHEET NOTES

The movement on intangible asset balances during the year is as follows:

| | 2022/23 £'000 | 2021/22 £'000 |
|---|------------------|------------------|
| Balance B/fwd | | |
| Gross carrying amount | 838 | 838 |
| Accumulated Amortisation | (804) | (782) |
| Reclassification - Asset | 0 | 0 |
| Reclassification - Accumulated Amortisation | 0 | 0 |
| Net Carrying Amount 1 April | 34 | 56 |
| Additions: | | |
| Purchases | 10 | 0 |
| Amortisation | (21) | (21) |
| Disposals: | | |
| Assets at GBV | 0 | 0 |
| Amortisation | 0 | 0 |
| Balance C/fwd | 23 | 35 |
| Comprising: | | |
| Gross carrying amounts | 848 | 838 |
| Accumulated amortisation | (825) | (804) |
| | 23 | 34 |

The intangible assets relate to computer software. This includes amortisation costs of £0.021m (£0.021m, 2021/22) 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 2023 which has not impacted on the asset values.

BALANCE SHEET NOTES

14 Long Term Debtors

| | 31st March 2023 £'000 | 31st March 2022 £'000 |
|--|-----------------------------|-----------------------------|
| Housing Act Advances and Outstanding Mortgages | 2 | 2 |
| Rykned Homes Loan | 6,501 | 6,765 |
| Northwood Group Loan | 8,708 | 5,213 |
| Northwood Shares - Long Term Investment | 128 | 134 |
| Works in Default | 122 | 124 |
| Long Term Finance Leases | 2 | 7 |
| | 15,463 | 12,245 |

15 Assets Held For Sale

The Council has no Assets held for Sale at 31 March 2023.

16 Inventories

| | Balance at 31st March 2023 £'000 | Balance at 31st March 2022 £'000 |
|--------------------------------|---|---|
| Street Scene | 109 | 100 |
| Swimming Pools/Leisure Centres | 16 | 13 |
| Other | 6 | 6 |
| Total | 131 | 119 |

17 Short Term Debtors

| | 31st March 2023 £'000 | 31st March 2022 £'000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Central Government Bodies | 2,758 | 1,202 |
| Other Local Authorities | 3,017 | 3,267 |
| Bodies external to Central Government | 4,431 | 4,219 |
| Total | 10,206 | 8,688 |

BALANCE SHEET NOTES

18 Cash and Cash Equivalents

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

| | 31st March 2023 £'000 | 31st March 2022 £'000 |
|--|-----------------------------|-----------------------------|
| Cash held by Authority | 6 | 6 |
| Bank Current Accounts | 1,980 | 5,122 |
| Short Term Deposits | 26,086 | 37,115 |
| Total Cash and Cash Equivalents | 28,072 | 42,243 |

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:

BALANCE SHEET NOTES

- 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 2023 £'000 | 31st March 2022 £'000 | 31st March 2023 £'000 | 31st March 2022 £'000 |
| Loans at amortised cost: | | | | |
| - Principal sum borrowed | (142,809) | (146,921) | (4,112) | (111) |
| - Accrued interest | - | - | (44) | (44) |
| Total Borrowing | (142,809) | (146,921) | (4,156) | (155) |
| Liabilities at amortised cost: | | | | |
| - Deferred Capital Receipts Unapplied | (2) | (2) | - | - |
| Total Other Long-term Liabilities | (2) | (2) | - | - |
| Liabilities at amortised cost: | | | | |
| - Trade payables* | - | - | (8,718) | (16,526) |
| Included in Creditors | - | - | (8,718) | (16,526) |
| Total Financial Liabilities | (142,811) | (146,923) | (12,874) | (16,681) |

*The short term creditor's line in the Balance Sheet includes £2.836m (2021/22 £7.864m) that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The total short-term borrowing includes £4.156m (2021/22: £0.155m) 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 2023 £'000 | 31st March 2022 £'000 | 31st March 2023 £'000 | 31st March 2022 £'000 |
| <i>At amortised cost:</i> | | | | |
| - Principal | 0 | 0 | 24,001 | 35,075 |
| <i>At fair value through profit & loss:</i> | | | | |
| - Fair Value | 0 | 0 | 2,085 | 2,040 |
| Total Investments | 0 | 0 | 26,086 | 37,115 |
| <i>At amortised cost:</i> | | | | |
| - Principal | - | - | 1,986 | 5,128 |
| Total Cash and Cash Equivalents | - | - | 1,986 | 5,128 |
| <i>At amortised cost:</i> | | | | |
| - Trade Receivables* | 122 | 124 | 5,487 | 4,623 |
| - Lease Receivables | 2 | 7 | 5 | 7 |
| - Loans made for service purposes | 15,211 | 11,980 | 264 | 264 |
| <i>At fair value through profit & loss:</i> | | | | |
| - Fair Value | 128 | 134 | 0 | 0 |
| Included in Debtors | 15,463 | 12,245 | 5,756 | 4,894 |
| Total Financial Assets | 15,463 | 12,245 | 33,828 | 47,137 |

*The short term debtors line in the Balance Sheet includes £4.450m (2021/22 £3.794m) that do not meet the definition of a financial asset as they relate to non-exchange transactions.

The total short-term investments includes £26.086m (2021/22: £37.115m) representing principal repayments due within 12 months.

BALANCE SHEET NOTES

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 | | 2022/23 Total £'000 | 2021/22 Total £'000 |
|---|----------------------------|--|----------------------------|---|---------------------------|---------------------------|
| | Amortised Cost £'000 | Fair Value through Profit & Loss £'000 | Amortised Cost £'000 | Fair Value through Profit & Loss £'000 | | |
| Interest expense | (5,901) | 0 | 0 | 0 | (5,901) | (5,227) |
| Losses on de-recognition | 0 | 0 | 0 | 0 | 0 | 0 |
| Losses from changes in fair value | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Fees paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest payable and similar charges ** | (5,901) | 0 | 0 | 0 | (5,901) | (5,227) |
| Interest income | 1,977 | 0 | 0 | 0 | 1,977 | 478 |
| Dividend income | 0 | 0 | 0 | 0 | 0 | 25 |
| Gains on de-recognition | 0 | 0 | 0 | 0 | 0 | 0 |
| Gains from changes in fair value | 0 | 0 | 0 | 38 | 38 | 10 |
| Impairment loss reversals | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and investment income ** | 1,977 | 0 | 0 | 38 | 2,015 | 513 |
| Net impact on surplus/deficit on provision of services | (3,924) | 0 | 0 | 38 | (3,886) | (4,714) |
| Net Gain/(Loss) for the Year | (3,924) | 0 | 0 | 38 | (3,886) | (4,714) |

BALANCE SHEET NOTES

Financial Instruments - Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as Council's borrowing, the fair value is estimated from the holder's perspective.

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 2023, 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

BALANCE SHEET NOTES

| d. Financial Instruments - Fair Values Liabilities | | | | | |
|---|-------------------------|---|--|---|--|
| | Fair Value Level | Balance Sheet 31st March 2023 £000 | Fair Value 31st March 2023 £000 | Balance Sheet 31st March 2022 £000 | Fair Value 31st March 2022 £000 |
| <i>Financial liabilities held at amortised cost:</i> | | | | | |
| Short and Long-term loans from PWLB | 2 | (146,921) | (145,650) | (147,032) | (179,912) |
| Accrued Interest (PWLB) | 2 | (44) | (44) | (44) | (44) |
| <i>Other liabilities:</i> | | | | | |
| Deferred Capital Receipts Unapplied | 3 | (2) | (2) | (2) | (2) |
| Trade Creditors | 3 | (8,718) | (8,718) | (16,526) | (16,526) |
| TOTAL | | (155,685) | (154,414) | (163,604) | (196,484) |
| Liabilities for which fair value is not disclosed * | | (10,770) | | (52,846) | |
| TOTAL FINANCIAL LIABILITIES | | (166,455) | | (216,450) | |
| <i>Recorded on balance sheet as:</i> | | | | | |
| Short-term creditors | | (11,554) | | (24,389) | |
| Short-term borrowing | | (4,156) | | (155) | |
| Short-term provisions | | (1,053) | | (1,053) | |
| Long-term borrowing | | (142,809) | | (146,921) | |
| Long-term provisions | | (867) | | (1,081) | |
| Other long-term liabilities | | (6,016) | | (42,851) | |
| TOTAL FINANCIAL LIABILITIES | | (166,455) | | (216,450) | |

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.

BALANCE SHEET NOTES

| e. Financial Instruments - Fair Values Assets | | | | | |
|--|-------------------------|---|--|---|--|
| | Fair Value Level | Balance Sheet 31st March 2023 £000 | Fair Value 31st March 2023 £000 | Balance Sheet 31st March 2022 £000 | Fair Value 31st March 2022 £000 |
| <i>Financial assets held at fair value:</i> | | | | | |
| Money market funds | 1 | 16,085 | 16,085 | 27,040 | 27,040 |
| 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 | 128 | 128 | 134 | 134 |
| Shares in unlisted companies | 3 | 0 | 0 | 0 | 0 |
| Forward contracts in the Council's favour | 2 | 0 | 0 | 0 | 0 |
| <i>Financial assets held at amortised cost:</i> | | | | | |
| Trade Receivables | 3 | 5,609 | 5,609 | 4,747 | 4,747 |
| Bank deposits | 2 | 1,986 | 1,986 | 5,203 | 5,203 |
| Loans to local authorities | 2 | 10,000 | 10,000 | 10,000 | 10,000 |
| Loans to Building Societies | 2 | 0 | 0 | 0 | 0 |
| Loans to External Bodies | 3 | 15,473 | 15,473 | 12,242 | 12,242 |
| Deferred Capital Receipts Unapplied | 3 | 2 | 2 | 2 | 2 |
| Lease receivables | 3 | 7 | 7 | 14 | 14 |
| TOTAL | | 49,290 | 49,290 | 59,382 | 59,382 |
| Assets for which fair value is not disclosed * | | 4,582 | | 3,913 | |
| TOTAL FINANCIAL ASSETS | | 53,872 | | 63,295 | |
| <i>Recorded on balance sheet as:</i> | | | | | |
| Long-term debtors | | 15,335 | | 12,111 | |
| Long-term investments | | 128 | | 134 | |
| Short-term inventories | | 131 | | 119 | |
| Short-term debtors | | 10,206 | | 8,688 | |
| Short-term investments | | 26,086 | | 37,115 | |
| Cash and cash equivalents | | 1,986 | | 5,128 | |
| TOTAL FINANCIAL ASSETS | | 53,872 | | 63,295 | |

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.

BALANCE SHEET NOTES

Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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: Overview

The Council is exposed to credit risk on the following categories of financial assets and commitments:

| f. Exposure Category | 31st March | 31st March |
|-----------------------------------|---------------|---------------|
| | 2023 | 2022 |
| | £'000 | £'000 |
| Treasury Investments | 26,086 | 37,115 |
| Trade Receivables | 5,751 | 4,887 |
| Lease Receivables | 5 | 7 |
| Service Loans | 15,475 | 12,244 |
| Total Credit Risk Exposure | 47,317 | 54,253 |

Further information on these categories are included in the following sections.

BALANCE SHEET NOTES

Credit Risk: Treasury Investments and Commitments

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 (other than the UK government). 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:

| g. Credit Risk Exposure Credit Rating | 31st March 2023 | | 31st March 2022 | |
|--|--------------------|---------------------|--------------------|---------------------|
| | Long-term £'000 | Short-term £'000 | Long-term £'000 | Short-term £'000 |
| AAA | 0 | 16,085 | 0 | 27,040 |
| AA | 0 | 0 | 0 | 18 |
| A+ | 0 | 1 | 0 | 57 |
| A | 0 | 0 | 0 | 0 |
| Unrated local authorities | 0 | 10,000 | 0 | 10,000 |
| Total | 0 | 26,086 | 0 | 37,115 |
| Credit risk not applicable * | 0 | 0 | 0 | 0 |
| Total Investments | 0 | 26,086 | 0 | 37,115 |

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.

BALANCE SHEET NOTES

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.

| h. Due date for receivables | 31st March 2023 | | 31st March 2022 | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Trade | Lease | Trade | Lease |
| | receivables £'000 | receivables £'000 | receivables £'000 | receivables £'000 |
| Neither past due nor impaired | 3,622 | 5 | 2,752 | 7 |
| Past due 3-6 months | 209 | 0 | 65 | 0 |
| Past due 6-12 months | 81 | 0 | 106 | 0 |
| Past due 12+ months | 257 | 0 | 167 | 0 |
| Individually impaired | 1,582 | 0 | 1,797 | 0 |
| TOTAL RECEIVABLES | 5,751 | 5 | 4,887 | 7 |

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:

| i. Credit risk for receivables | Range of allowances set aside | 31st March 2023 | | 31st March 2022 | |
|---------------------------------|-------------------------------------|---------------------|--------------------|---------------------|--------------------|
| | | Gross | Loss | Gross | Loss |
| | | receivable £'000 | allowance £'000 | receivable £'000 | allowance £'000 |
| HRA Tenants | 40% - 90% | 1,582 | (901) | 1,797 | (1,006) |
| Sundry Debtors | 40% - 100% | 1,629 | (415) | 820 | (250) |
| Other Trade Receivables | 0% | 2,276 | 0 | 2,006 | 0 |
| Lease Receivables | 0% | 5 | 0 | 7 | 0 |
| Loans made for Service Purposes | 0% | 264 | 0 | 264 | 0 |
| Total | | 5,756 | (1,316) | 4,894 | (1,256) |

BALANCE SHEET NOTES

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 2023 is £0.579m (2021/22: £0.488m).

Credit Risk: Service Loans, Financial Guarantees and Loan Commitments

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 2023 £'000 | Risk exposure 31st March 2023 £'000 | Balance Sheet 31st March 2022 £'000 | Risk exposure 31st March 2022 £'000 |
|-------------------------|-----------------------|---|---|---|---|
| Council House Mortgages | Loans at market rates | 2 | 2 | 2 | 2 |
| Rykneld Homes Limited | Loans at market rates | 6,765 | 3 | 7,029 | 3 |
| Northwood Group Limited | Loans at market rates | 8,708 | 89 | 5,213 | 53 |
| TOTAL | | 15,475 | 94 | 12,244 | 58 |

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.

Liquidity Risk

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 liabilities is as follows, shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payments) figures:

BALANCE SHEET NOTES

| Time to maturity (years) | Discounted (principal) | | Undiscounted (principal plus interest) | |
|-----------------------------|---|---|---|---|
| | 31st March 2023 Liabilities £'000 | 31st March 2022 Liabilities £'000 | 31st March 2023 Liabilities £'000 | 31st March 2022 Liabilities £'000 |
| Not over 1 | (4,158) | (157) | (9,278) | (5,345) |
| Over 1 but not over 2 | (6,109) | (4,112) | (11,042) | (9,232) |
| Over 2 but not over 5 | (15,191) | (17,206) | (28,457) | (31,125) |
| Over 5 but not over 10 | (24,419) | (20,466) | (43,790) | (40,565) |
| Over 10 but not over 20 | (77,818) | (40,047) | (97,909) | (104,904) |
| Over 20 but not over 40 | (19,272) | (65,090) | (22,167) | (26,771) |
| Over 40 | 0 | 0 | 0 | 0 |
| Uncertain date * | (8,718) | (16,526) | (8,718) | (16,104) |
| Total | (155,685) | (163,604) | (221,361) | (234,046) |

Market Risks: Interest Rate Risk

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 2023, £131.320m (2021/22: £134.656m) 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 £1.470m (2021/22: £1.492m). The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

BALANCE SHEET NOTES

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.

20 Short Term Creditors

| | 31st March 2023 £'000 | 31st March 2022 £'000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Central Government Bodies | (1,037) | (15,079) |
| Other Local Authorities | (358) | (880) |
| NHS Bodies | 0 | 0 |
| Bodies external to Central Government | (10,159) | (8,430) |
| Total | (11,554) | (24,389) |

21 Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with IAS37.

| Short Term Provisions <12 months | | Use of | | |
|--|---------------------------|--|--|---------------------------|
| | 31 March 2022 £'000 | Provision in Year £'000 | Provision in Year £'000 | 31 March 2023 £'000 |
| Water Claims | (1,053) | 0 | 0 | (1,053) |
| Total | (1,053) | 0 | 0 | (1,053) |
| Long Term Provisions >12 months | | | | |
| NNDR Appeals Provision | (1,045) | 3,219 | (3,005) | (831) |
| Rykneld Homes Loss Provision | (36) | 0 | 0 | (36) |
| Total | (1,081) | 3,219 | (3,005) | (867) |

Water Claims

This is a provision set aside to meet the potential water claims from tenants where the Council have taken commission on collection of water charges that may need to be repaid.

BALANCE SHEET NOTES

Rykneld Homes Loss

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.

NNDR Appeals

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 2023, 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 2023.

22 Usable Reserves

Movements in the Council's usable reserves are summarised below:

| | 31 March 2022 £'000 | Transfers to in year £'000 | Transfers from in year £'000 | 31 March 2023 £'000 |
|----------------------------------|---------------------------|----------------------------------|------------------------------------|---------------------------|
| Earmarked Reserves | | | | |
| General Fund (note 8) | (20,569) | (3,306) | 2,603 | (21,272) |
| Housing Revenue Account (note 8) | (32,355) | (164) | 1,659 | (30,860) |
| Major Repairs Reserve | (2,239) | (15,423) | 16,691 | (971) |
| Capital Receipts Reserve | (2,983) | (3,586) | 2,706 | (3,863) |
| Capital Grants Reserve | (3,070) | (10,647) | 5,789 | (7,928) |
| | (61,216) | (33,126) | 29,448 | (64,894) |
| 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 | (66,216) | (33,126) | 29,448 | (69,894) |

BALANCE SHEET NOTES

23 Unusable Reserves

| | 31 March 2023 | 31 March 2022 |
|---|------------------|-------------------|
| | £'000 | Restated £'000 |
| (a) Revaluation Reserve | (110,264) | (90,946) |
| (b) Capital Adjustment Account | (208,260) | (198,384) |
| (c) Pensions Reserve | 6,014 | 42,849 |
| (d) Deferred Capital Receipts Reserve | (7) | (14) |
| (e) Collection Fund Adjustment Account | (566) | 1,079 |
| (f) Accumulated Absences Account | 192 | 201 |
| (g) Pooled Funds and Shares Revaluation Reserve | (63) | (25) |
| Total Unusable Reserves | (312,954) | (245,240) |

(a) Revaluation Reserve

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.

BALANCE SHEET NOTES

| 31 March 2022 £'000 | 31 March 2023 £'000 |
|---|---------------------------|
| (57,844) Balance 1 April | (90,946) |
| 0 Upward revaluation of assets (Upward)/downward revaluation of assets and impairment losses not charged to | 0 |
| (36,776) surplus/deficit on provision of services | (22,963) |
| Surplus or Deficit on revaluation of non-current assets not posted to the surplus or deficit on | |
| (36,776) the provision of service | (22,963) |
| 0 Write out - Investment Property | 0 |
| Difference between fair value depreciation and | |
| 1,664 historic cost depreciation | 2,141 |
| Accumulated gains on assets sold or | |
| 2,010 scrapped | 1,504 |
| 3,674 | 3,645 |
| (90,946) Balance 31 March | (110,264) |

(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 2022 | 31 March 2023 | |
|---|---------------|-----------|
| £'000 | £'000 | £'000 |
| (178,785) Balance 1 April | | (198,384) |
| <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | |
| 4,727 Charges for depreciation and impairment of non current assets | 12,022 | |
| (4,591) Revaluation gains/losses on Property Plant and Equipment | 2 | |
| 21 Amortisation of Intangible Assets | 21 | |
| 3,034 Revenue Expenditure Funded from Capital under Statute | 3,603 | |
| 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 | |
| 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 | 5,729 | |
| 11,427 | | 21,377 |
| (3,674) Adjusting amounts written out of Revaluation Reserve | | (3,645) |
| Net written out amount of the cost of non-current assets consumed in the (171,032) year | | (180,652) |
| <u>Capital financing applied in the year:</u> | | |
| (1,266) Use of Capital Receipts Reserve to repay allowable debt | 0 | |
| (1,216) Use of Capital Receipts Reserve to finance new capital expenditure | (2,707) | |
| (17,109) Use of the Major Repair Reserve to finance new capital expenditure | (16,691) | |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | (5,714) | |
| Application of grants to capital financing from the Capital Grants | | |
| (2,888) Unapplied Account | (646) | |
| Statutory Provision for the financing of capital investment charged against (628) the General Fund and HRA balances/reserves | (146) | |
| (227) Capital Expenditure charged against the General Fund and HRA balances | (1,744) | |
| (25,350) | | (27,648) |
| Movements in the market value of Investment Properties debited or (2,002) credited to the Comprehensive Income & Expenditure Statement | | 40 |
| Movements in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement | | 0 |
| (198,384) Balance 31 March | | (208,260) |

BALANCE SHEET NOTES

(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.

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 42,849 | 58,165 |
| Actuarial (gains) or losses on pension assets and liabilities | (40,056) | (18,815) |
| 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 | 6,550 | 6,665 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (3,329) | (3,166) |
| Balance at 31 March | 6,014 | 42,849 |

(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.

BALANCE SHEET NOTES

| | 2022/23 £'000 | 2021/22 £'000 |
|---|-------------------|--------------------|
| Balance at 1 April | (14) | (31) |
| Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement. | <u>0</u> | <u>0</u> |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 7 | 17 |
| Closing Balance | <u><u>(7)</u></u> | <u><u>(14)</u></u> |

(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.

| | 2022/23 £'000 | 2021/22 £'000 |
|---|---------------------|---------------------|
| Balance at 1 April | | |
| Opening Balance | 1,079 | 2,984 |
| 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 | (1,645) | (1,905) |
| Balance at 31 March | <u><u>(566)</u></u> | <u><u>1,079</u></u> |

(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.

BALANCE SHEET NOTES

| | 2022/23 £'000 | 2021/22 £'000 |
|---|-------------------|-------------------|
| Balance at 1 April | 201 | 220 |
| Settlement or cancellation of accrual made at the end of the preceeding year | (201) | (220) |
| Amounts accrued at the end of current year | <u>192</u> | <u>201</u> |
| | 0 | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (9) | (19) |
| Closing Balance | <u><u>192</u></u> | <u><u>201</u></u> |

(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.

| | 2022/23 £'000 | 2021/22 £'000 |
|--|--------------------|--------------------|
| Balance at 1 April | (25) | (35) |
| Upward Revaluation of Investments | (38) | 0 |
| Downward Revaluation of Investments | 0 | 10 |
| Change in Impairment Loss Allowances | <u>0</u> | <u>0</u> |
| | (63) | (25) |
| 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 | <u><u>(63)</u></u> | <u><u>(25)</u></u> |

CASH FLOW NOTES

24 Cash Flow Statement – Operating Activities

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Net (surplus) or deficit on provision of services | (8,372) | (11,128) |
| Adjustments for non-cash movements | (9,376) | (20,557) |
| Adjustments for investing and financing activities | 15,053 | 9,235 |
| Net cash flows from operating activities | (2,695) | (22,450) |

The cash flows from operating activities include the following items:

| | 2022/23 £'000 | 2021/22 £'000 |
|--------------------|------------------|------------------|
| Interest Received | 1,264 | 478 |
| Interest Paid | (5,188) | (5,229) |
| Dividends Received | 0 | 25 |
| Total | (3,924) | (4,726) |

25 Cash Flow Statement – Investing Activities

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 28,586 | 22,331 |
| Purchase of short-term and long-term investments | 0 | 0 |
| Other payments for investing activities | 3,496 | 3,797 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,594) | (5,194) |
| Proceeds from short-term and long-term investments | 0 | 0 |
| Other receipts from investing activities | (11,732) | (4,317) |
| Net cash flows from investing activities | 16,756 | 16,617 |

CASH FLOW NOTES

26 Cash Flow Statement – Financing Activities

| | 2022/23 £'000 | 2021/22 £'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 | 111 | 2,205 |
| Other payments for financing activities | 0 | 0 |
| Net cash flows from operating activities | 111 | 2,205 |

27 Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

| 2022/23 | 1st April 2022 £'000 | Financing Cash Flows £'000 | Non-Cash Acquisition £'000 | Changes Other £'000 | 31st March 2023 £'000 |
|--|-------------------------|----------------------------------|----------------------------------|---------------------------|--------------------------|
| Long-term borrowings | (146,921) | 0 | 0 | 4,112 | (142,809) |
| Short-term borrowings | (111) | 111 | 0 | (4,112) | (4,112) |
| Total Liabilities from financing activities | (147,032) | 111 | 0 | 0 | (146,921) |

| 2021/22 | 1st April 2021 £'000 | Financing Cash Flows £'000 | Non-Cash Acquisition £'000 | Changes Other £'000 | 31st March 2022 £'000 |
|--|-------------------------|----------------------------------|----------------------------------|---------------------------|--------------------------|
| Long-term borrowings | (147,033) | 0 | 0 | 112 | (146,921) |
| Short-term borrowings | (2,205) | 2,206 | 0 | (112) | (111) |
| Total Liabilities from financing activities | (149,238) | 2,206 | 0 | 0 | (147,032) |

OTHER NOTES TO THE ACCOUNTS

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 2023 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 Director of Finance and Resources on 24 May 2023. 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 2023, 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.

| | 2022/23 £'000 | 2021/22 £'000 |
|---------------------|------------------|------------------|
| Amenity Maintenance | 256 | 265 |
| Total | 256 | 265 |

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.

OTHER NOTES TO THE ACCOUNTS

| | 2022/23 £'000 | 2021/22 £'000 |
|--------------|------------------|------------------|
| Allowances | 437 | 397 |
| Expenses | 1 | 1 |
| Total | 438 | 398 |

33 Officer Emoluments

In addition to those employees covered within this note who are directly employed by the Council, part of the Management Team 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 2022/23 | Number of Employees 2021/22 |
|----------------------|-----------------------------------|-----------------------------------|
| £50,000 - £54,999 | 4 | 3 |
| £55,000 - £59,999 | 3 | 1 |
| £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 |

Senior Employees

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.

The definition of a senior employee is: -

- An employee whose salary is £150,000 or more.
- An employee whose salary is £50,000 or more who is a statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989.

OTHER NOTES TO THE ACCOUNTS

- An employee whose salary is £50,000 or more who is a non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989.
- An employee whose salary is £50,000 or more who reports directly to the Head of Paid Service.

OTHER NOTES TO THE ACCOUNTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2022/23:

| 2022/23 | 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. | £ | £ | £ | £ | £ | £ | £ | £ |
| Managing Director and Head of Paid Service | 101,778 | 0 | 0 | 101,778 | 14,826 | 116,604 | 0 | 116,604 |
| Director of Finance & Resources (Section 151 Officer) | 78,638 | 706 | 0 | 79,343 | 11,446 | 90,789 | 0 | 90,789 |
| Director of Growth & Assets | 82,316 | 0 | 0 | 82,316 | 11,976 | 94,292 | 0 | 94,292 |
| Assistant Director - Governance (Monitoring Officer) | 67,725 | 0 | 0 | 67,725 | 9,956 | 77,680 | 0 | 77,680 |
| Assistant Director - Planning | 53,029 | 83 | 0 | 53,112 | 7,368 | 60,480 | 0 | 60,480 |
| Assistant Director - Street Scene | 49,012 | 0 | 0 | 49,012 | 7,081 | 56,093 | 0 | 56,093 |
| Assistant Director - Environmental Health | 65,962 | 0 | 0 | 65,962 | 9,582 | 75,545 | 37,773 | 37,772 |
| Overall Total | 498,461 | 788 | 0 | 499,249 | 72,234 | 571,483 | 37,773 | 533,711 |

OTHER NOTES TO THE ACCOUNTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 for 2021/22:

| 2021/22 | 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. | £ | £ | £ | £ | £ | £ | £ | £ |
| Managing Director and Head of Paid Service | 63,865 | 0 | 0 | 63,865 | 9,246 | 73,110 | 0 | 73,110 |
| Joint Director of Environment and Enforcement | 30,186 | 0 | 0 | 30,186 | 4,385 | 34,571 | 17,285 | 17,286 |
| Director of Growth & Economic Development | 83,218 | 0 | 0 | 83,218 | 11,997 | 95,215 | 0 | 95,215 |
| Director of Transformation | 30,031 | 0 | 0 | 30,031 | 4,367 | 34,398 | 0 | 34,398 |
| Head of Service - Governance (Monitoring Officer) | 10,183 | 0 | 0 | 10,183 | 1,497 | 11,680 | 0 | 11,680 |
| Head of Service - Finance & Resources (Section 151 Officer) | 58,433 | 0 | 0 | 58,433 | 8,465 | 66,898 | 0 | 66,898 |
| Head of Service - Planning | 50,480 | 0 | 0 | 50,480 | 7,141 | 57,621 | 0 | 57,621 |
| Head of Service - Street Scene | 60,465 | 0 | 0 | 60,465 | 8,668 | 69,133 | 34,567 | 34,566 |
| Head of Service - Environmental Health | 62,621 | 0 | 0 | 62,621 | 9,051 | 71,672 | 35,836 | 35,836 |
| Total | 449,483 | 0 | 0 | 449,483 | 64,817 | 514,299 | 87,688 | 426,611 |
| Employed by Bolsover D.C. | | | | | | | | |
| Joint Director of Corporate Resources | 29,894 | 0 | 0 | 29,894 | 4,445 | 34,339 | 17,200 | 17,139 |
| Joint Head of Service - Governance (Monitoring Officer) | 52,309 | 306 | 0 | 52,615 | 7,785 | 60,400 | 30,678 | 29,722 |
| Joint Head of Service - Transformation & Organisation | 36,448 | 0 | 0 | 36,448 | 5,431 | 41,879 | 20,940 | 20,939 |
| Total | 118,651 | 306 | 0 | 118,957 | 17,661 | 136,618 | 68,818 | 67,800 |
| Overall Total | 568,134 | 306 | 0 | 568,440 | 82,478 | 650,917 | 156,506 | 494,411 |

OTHER NOTES TO THE ACCOUNTS

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 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 | |
|---|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|-----------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 £000 | 2022/23 £000 |
| £0 - £20,000 | 0 | 0 | 7 | 3 | 7 | 3 | 22 | 18 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 52 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 7 | 4 | 7 | 4 | 22 | 70 |
| | | | | | | | | |

OTHER NOTES TO THE ACCOUNTS

34 Termination Benefits

The Council terminated the contracts of a number of employees during 2022/23, incurring liabilities of £0.070m (£0.022m in 2021/22), excluding senior officer emoluments, presented separately above.

35 Audit Fees

During 2022/23 North East Derbyshire District Council incurred the following fees relating to external audit and inspection:

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Fees payable to the auditors with regard to external audit services carried out by the appointed auditor | 53 | 54 |
| 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 | 16 | 11 |
| Fees payable in respect of any other services provided by the appointed auditor | 23 | 9 |
| Refund of overpaid auditors fee from Public Sector Audit Appointments Ltd | 0 | (9) |
| Total | 92 | 65 |

The final 2022/23 audit fees, including costs of any additional work required to meet the update Code of Audit Practice, have yet to be confirmed.

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.

Central Government

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

OTHER NOTES TO THE ACCOUNTS

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.

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.

There is one member who has had a significant transaction with the Council in 2022/23. Councillor K Rouse purchase a Council property as part of the Right to Buy scheme for a total of £77,800.00.

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 2022/23.

Other Significant Transactions

Other significant transactions with related parties, not included above, are as follows:

| | Receipts £'000 | Payments £'000 |
|--|-------------------|-------------------|
| Revenue | | |
| Bolsover District Council | (2,111) | 559 |
| Chesterfield Borough Council | (238) | 204 |
| Citizens Advice Bureau | 0 | 85 |
| Derbyshire County Council (excluding precepts) | (2,399) | 1,062 |
| Derbyshire Dales District Council | (315) | 11 |
| Parish Councils (excluding precepts) | (826) | 365 |
| Rykneld Homes Limited | (1,820) | 10,618 |
| Capital | | |
| Rykneld Homes Limited | 0 | 18,610 |
| Northwood Group Limited | 0 | 0 |
| Loan | | |
| Rykneld Homes Limited | (264) | 0 |
| Northwood Group Limited | 0 | 3,495 |

OTHER NOTES TO THE ACCOUNTS

During 2022/23 the Council had partnership agreements with Bolsover District Council (BDC), Chesterfield Borough Council (CBC), and Derbyshire Dales District Council (DDDC) in the following areas:

- Internal Audit
- Procurement
- ICT Service
- Environmental Health Section
- HR & Payroll 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. The Council also hosts the Joint Environmental Health Service which covers BDC and ourselves. There are also joint sections between BDC and ourselves which cover HR & Payroll and Legal Services. The accounts reflect the total cost of these services less contributions from BDC and Derbyshire Dales District Council.

During 2022/23 the Rykneld Homes Limited repaid a total of £0.264m 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 | (830) | 962 |
| Dronfield | 31/3/15 | 25 years | 453 | (230) | 223 |
| Grassmoor | 31/3/15 | 25 years | 1,066 | (341) | 725 |
| North Wingfield | 31/3/16 | 40 years | 1,908 | (259) | 1,649 |
| Calow | 31/3/17 | 40 years | 410 | (51) | 359 |
| Stonebroom | 31/3/17 | 2 years | 425 | (425) | 0 |
| Hallowes Court, Dronfield | 31/3/19 | 40 years | 3,048 | (201) | 2,847 |
| Total | | | 9,102 | (2,337) | 6,765 |

OTHER NOTES TO THE ACCOUNTS

The details of the loans made to Northwood Group Limited are shown below: -

| Loans by Scheme | Loan Start Date £'000 | Loan Period £'000 | Initial Amount £'000 | Accrued Interest £'000 | Amount Repaid £'000 | Remaining Amount £'000 |
|------------------|-----------------------------|-------------------------|----------------------------|------------------------------|---------------------------|------------------------------|
| Developer Loan | 6/11/19 | 4 years | 7,146 | 594 | 0 | 7,740 |
| Shareholder Loan | 6/11/19 | 4 years | 893 | 75 | 0 | 968 |
| Total | | | 8,039 | 669 | 0 | 8,708 |

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.

OTHER NOTES TO THE ACCOUNTS

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening Capital Financing Requirement | 187,412 | 183,170 |
| Movement in debtors - Borrowing | 3,495 | 3,796 |
| Movement in debtors - Repayment | (264) | (264) |
| Capital Investment | | |
| Property, Plant & Equipment | 25,661 | 23,032 |
| Intangible Assets | 10 | 0 |
| Revenue Expenditure Funded from Capital under Statute: - Other REFCUS items | 3,603 | 3,035 |
| Sources of Finance | | |
| Capital Receipts | (2,706) | (1,217) |
| Major Repairs Reserve | (16,691) | (17,109) |
| Government Grants and Other Contributions | (8,105) | (5,137) |
| Amounts set aside from Revenue: | | |
| Repayment of Allowable Debt | 0 | 0 |
| Direct Revenue Contributions | 0 | (1,266) |
| Minimum Revenue Provision & Debt repayment from MRA | (146) | (628) |
| Closing Capital Financing Requirement | 192,269 | 187,412 |
| Movement on Capital Financing Requirement in year | 4,857 | 4,242 |
| 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) | 1,772 | 2,604 |
| Repayment of debt | 3,085 | 1,638 |
| Increase/(decrease) in Capital Financing Requirement | 4,857 | 4,242 |

38 Leases

Council as Lessee

Finance Leases

The Council holds one finance lease, this is for Killamarsh Leisure Centre and is held in the Balance Sheet at a value of £4.606. However, the lease liability for this lease is a peppercorn rent of £1 per annum and therefore below our materiality level so is not included in the Statement of Accounts.

OTHER NOTES TO THE ACCOUNTS

Operating Leases

Operating leases held by the Council comprise of photocopiers across various Council locations, a coffee machine at Dronfield Sport Centre Café and gym equipment at Killamarsh Leisure Centre. The total payment in 2022/23 was £0.089m (2021/22, £0.019m for photocopiers, coffee machine and gym equipment).

The following table identifies the Council's operating lease liability:

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|---|------------------------------------|------------------------------------|
| Not later than one year | 88 | 17 |
| later than one year and not later than five years | 233 | 29 |
| later than five years | 0 | 0 |
| | 321 | 46 |

Authority as Lessor

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 2023 £'000 | 31 March 2022 £'000 |
|---|--------------------------------|--------------------------------|
| Finance lease debtor (NPV of minimum lease payments): | | |
| Current | 5 | 7 |
| Non-Current | 2 | 7 |
| Unearned finance income | 0 | 0 |
| Unguaranteed residueal value of property | 0 | 0 |
| Gross investment in the lease | 7 | 14 |

OTHER NOTES TO THE ACCOUNTS

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 2023 £'000 | 31 March 2022 £'000 | 31 March 2023 £'000 | 31 March 2022 £'000 |
| Not later than one year | 5 | 7 | 7 | 9 |
| later than one year and not later than five years | 2 | 7 | 3 | 10 |
| later than five years | 0 | 0 | 0 | 0 |
| | 7 | 14 | 10 | 19 |

Operating Leases

The Council owns Investment Properties to the value of £21.813m (2021/22, £21.357m). These properties include industrial units, shops and other miscellaneous properties. The Council leases these properties out and generated rental income of £0.566m during 2022/23, (2021/22, £0.579m) No depreciation is charged on investment properties.

The table below shows the projected income from operating leases as at 31 March 2023:

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|---|---------------------------|---------------------------|
| Not later than one year | 347 | 359 |
| later than one year and not later than five years | 388 | 353 |
| later than five years | 385 | 418 |
| | 1,120 | 1,130 |

Business Centres with a gross book value of £2.814m (£2.346m, 2021/22), accumulated depreciation of £0.000m (£0.000m, 2021/22) and net book value of £2.814m (£2.346m, 2021/22) are also owned by the Council. During 2022/23 lease income of £0.517m (£0.506m, 2021/22) 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.

OTHER NOTES TO THE ACCOUNTS

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.

The Council's Actuary, Hymans Robertson, has taken the approach detailed below to allow for recent legal judgements or otherwise. This has been incorporated into the accounts.

GMP equalisation/indexation treatment

An allowance for full GMP indexation has been included within the closing balance sheet position.

GMP equalisation – historical transfers

It is the actuary's view that this is unlikely to be significant in terms of impact on the pension obligations of a typical employer. As a result no allowance has been made within the calculations.

McCloud treatment

An allowance was made for McCloud in last year's results. No further adjustment has been made within year's results. No specific additional adjustment for McCloud has been added to the current service cost for 2022/23.

Transactions relating to Post-employment Benefits.

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 the Council is 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:

OTHER NOTES TO THE ACCOUNTS

| | 2022/23 £'000 | 2021/22 £'000 |
|---|------------------|------------------|
| <u>Comprehensive Income and Expenditure Statement</u> | | |
| <i>Cost of Service</i> | | |
| Current Service cost | 5,366 | 5,479 |
| Past Service Cost | 0 | 0 |
| (Gain)/loss from settlements | 0 | 0 |
| <i>Financing and Investment Income and Expenditure</i> | | |
| Net Interest Expense | 1,184 | 1,186 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service | 6,550 | 6,665 |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | | |
| Re-measurement of the net defined benefit liability comprising: - | | |
| Return on Plan Assets (excluding the amount included in the net interest expense) | 7,014 | (6,530) |
| Actuarial gains and losses arising on changes in demographic assumptions | (2,236) | (1,047) |
| Actuarial gains and losses arising on changes in financial assumptions | (60,786) | (11,546) |
| Other (if applicable) | 15,952 | 308 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (40,056) | (18,815) |
| <u>Movement in Reserves Statement</u> | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code | 3,221 | 3,499 |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | |
| Employers Contributions Payable to Scheme | 3,329 | 3,166 |

OTHER NOTES TO THE ACCOUNTS

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:

| | 2022/23 £'000 | 2021/22 £'000 |
|---|------------------|------------------|
| Present value of the defined benefit obligation | (42,849) | (58,165) |
| Fair value of plan assets | (3,704) | 8,166 |
| Sub-total | (46,553) | (49,999) |
| Other movement in the liability (asset) | 40,539 | 7,150 |
| Net Total | (6,014) | (42,849) |

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

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening fair value of scheme assets | 126,279 | 118,113 |
| Interest Income | 3,397 | 2,353 |
| <i>Re-measurement gain/(loss):</i> | | |
| The return on plan assets, excluding the amount included in the net interest expense | (6,356) | 6,530 |
| The effects of changes in foreign exchange rates | 0 | 0 |
| Employer contributions | 3,329 | 3,166 |
| Contributions from employees into the scheme | 736 | 667 |
| Benefits paid | (4,810) | (4,550) |
| Closing fair value of scheme assets | 122,575 | 126,279 |

OTHER NOTES TO THE ACCOUNTS

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

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening balance at 1 April | (169,128) | (176,278) |
| Current service cost | (5,366) | (5,479) |
| Interest cost | (4,581) | (3,539) |
| Contributions from scheme participants | (736) | (667) |
| Contributions in respect of unfunded benefits | 0 | 0 |
| <i>Re-measurement gain/(loss):</i> | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 2,236 | 1,047 |
| Actuarial gains/losses arising from changes in financial assumptions | 60,786 | 11,546 |
| Other | (16,610) | (308) |
| Past service cost | 0 | 0 |
| Liabilities assumed on entity combinations | 0 | 0 |
| Benefits Paid | 4,810 | 4,550 |
| Return on assets excluding amounts included in net interest | 0 | 0 |
| Liabilities extinguished in settlements | 0 | 0 |
| Closing Defined Benefit Obligation | (128,589) | (169,128) |

Scheme History

| | 2022/23 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Present value of liabilities | (128,589) | (169,128) | (176,278) | (138,071) | (159,614) |
| Fair value of assets | 122,575 | 126,279 | 118,113 | 98,291 | 102,905 |
| Scheme Surplus/(deficit) | (6,014) | (42,849) | (58,165) | (39,780) | (56,709) |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £6.014m 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:

| | 2022/23 £'000 | 2021/22 £'000 |
|---|------------------|------------------|
| Cash and cash equivalents | 3,604 | 5,675 |
| <i>Equity instruments by industry type:</i> | | |
| Consumer | 385 | 500 |
| Manufacturing | 153 | 321 |
| Energy and utilities | 113 | 159 |
| Financial institutions | 154 | 241 |
| Health and care | 213 | 331 |
| Information technology | 254 | 452 |
| Other | 3,588 | 4,420 |
| Sub-total - Equity | 4,860 | 6,424 |
| <i>Bonds by sector:</i> | | |
| Corporate | 15,708 | 16,435 |
| Government | 9,911 | 10,597 |
| Other | 2,039 | 2,242 |
| Sub-total - Bonds | 27,658 | 29,274 |
| <i>Real estate:</i> | | |
| UK | 9,674 | 9,954 |
| Overseas | 0 | 0 |
| Sub-total - Real Estate | 9,674 | 9,954 |
| <i>Private equity:</i> | | |
| All | 5,961 | 6,062 |
| Sub-total - Private equity | 5,961 | 6,062 |
| <i>Other investment funds:</i> | | |
| Equities | 57,621 | 58,485 |
| Bonds | 0 | 0 |
| Infrastructure | 13,197 | 10,405 |
| Sub-total - Other investment funds | 70,818 | 68,890 |
| Total Assets | 122,575 | 126,279 |

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 2022.

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 18 May 2023. No further adjustment has been made within this year's results for the McCloud judgement. No further adjustment has been made within this year's results for the GMP indexation.

The significant assumptions used by the actuary have been:

| | 2022/23 | 2021/22 |
|---|----------|----------|
| Long term expected rate of return on assets in the scheme: | | |
| Overall expected return | 2.9% | 7.5% |
| Mortality assumptions: | | |
| <i>Longevity at 65 for current pensioners:</i> | | |
| Men | 21.0 Yrs | 21.1 Yrs |
| Women | 24.0 Yrs | 23.8 Yrs |
| <i>Longevity at 65 for future pensioners:</i> | | |
| Men | 21.8 Yrs | 22.2 Yrs |
| Women | 25.5 Yrs | 25.6 Yrs |
| Financial Assumptions: | | |
| Rates of CPI inflation | 3.00% | 3.20% |
| Rate of increase in salaries | 4.00% | 3.90% |
| Rate of increase in pensions | 3.00% | 3.20% |
| Rate for discounting scheme liabilities | 4.75% | 2.70% |

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.

OTHER NOTES TO THE ACCOUNTS

Impact on the defined benefit obligation in the scheme

| | Increase in Assumption £'000 | Decrease in Assumption £'000 |
|--|---|---|
| Rate of increase in salaries (increase or decrease by 0.1%) | 282 | 0 |
| Rate of increase in life expectancy (increase or decrease by 1 year) | 5,144 | 0 |
| Rate of increase in pensions (increase or decrease by 0.5%) | 1,884 | 0 |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 0 | 2,138 |

Within the IAS19 disclosures there is an element of unfunded benefits in respect of early retirement pension costs which amount to £1.256m at 31 March 2023, (2021/22, £1.520m). The Council makes annual payments to the local government pension scheme to cover this amount. In 2022/23 the Council paid £0.102m (2021/22, £0.102m).

The Council's contribution rate for 2022/23 was 13.7% (2021/22 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 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2022.

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 £3.283m expected contributions to the scheme in 2023/24.

OTHER NOTES TO THE ACCOUNTS

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 2022/23 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.

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 £3.305m owed to Rykneld Homes Limited and £0.192m 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

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

2022/23

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.

| 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|
| Expenditure | |
| 5,181 Repairs and maintenance | 5,414 |
| 7,212 Supervision and management | 8,383 |
| 93 Rents, rates, taxes and other charges | 111 |
| 4,049 Depreciation and impairments of non-current assets | 9,144 |
| 11 Debt management costs | 11 |
| 18 Movement in the allowance for bad debt | 5 |
| 0 Water Litigation liability | 0 |
| 16,564 | 23,068 |
| Income | |
| (31,098) Dwelling rents | (32,180) |
| (338) Garage rents | (363) |
| (98) Non-dwelling rents | (96) |
| (117) Charges for services and facilities | (107) |
| (50) Contribution towards expenditure | (50) |
| (31,701) | (32,796) |
| Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account | (9,728) |
| 186 HRA share of Corporate and Democratic Core | 185 |
| HRA share of other amounts included in the whole authority | |
| 0 Cost of Services but not allocated to specific services | 0 |
| (14,951) Net Cost of HRA Services | (9,543) |
| HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | |
| 2,977 Gain or loss on sale of HRA non current assets | 2,218 |
| 4,857 Interest payable and similar charges | 5,538 |
| (17) Interest receivable and similar income | (1,113) |
| Income and expenditure in relation to investment properties and changes in their fair value | (82) |
| (497) Capital Grants | (854) |
| (8,758) (Surplus) or deficit for the year on HRA services | (3,836) |

MOVEMENT ON THE HRA STATEMENT

Movement on the HRA Statement

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| (8,758) | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | (3,836) |
| 11,083 | Adjustments between accounting basis and funding basis under statute | 5,331 |
| 2,325 | Net (Increase) or decrease in the HRA Balance before transfers to or from reserves: | 1,495 |
| (2,325) | Transfer to or from reserves | (1,495) |
| 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

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 0 | Debt Repayment | 0 |
| 3,717 | Impairment and Revaluation of Assets | (822) |
| 1,128 | Change in the fair value of Investment Properties | 82 |
| 222 | Capital Expenditure funded by the HRA Reserves | 1,659 |
| (915) | REFCUS | (1,326) |
| (2,977) | Gain or loss on sale of HRA non-current assets | (2,218) |
| 501 | Capital Grants Utilised | 388 |
| 0 | Capital Grants Transfer to Capital Grant Reserve | 467 |
| 9,408 | Transfer to/from the Major Repairs Reserve | 7,101 |
| 0 | Exceptional Item | 0 |
| 11,084 | | 5,331 |

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

In April 2020 the new Social Housing Rent Standard came into force which is externally regulated by the Housing Regulator and applies to all registered providers of social housing. The Government directed the Social Housing Regulator to apply the rent standard to all registered providers, including local authorities. The Standard confirms that rent increases of up to CPI + 1% for five years will be permitted, commencing April 2020. A rent increase of 4.1% was applied in 2022. A 1.5% voids allowance is built into our rental budgets. Outturn against this was 1.5%.

3 Rent Arrears and Provision for Doubtful Debts

| | 31 March 2023 | 31 March 2022 |
|------------------------|------------------|------------------|
| Current tenant arrears | 1,202 | 1,402 |
| Former tenant arrears | 380 | 395 |
| Total HRA rent arrears | 1,582 | 1,797 |
| Expected Credit Losses | (901) | (1,006) |
| Net HRA rent arrears | 681 | 791 |

NOTES TO THE HOUSING REVENUE ACCOUNT

4 Non-current Assets

| | 31 March 2023 | 31 March 2022 |
|-------------------------------------|------------------|------------------|
| Houses | 4,459 | 4,498 |
| Flats | 1,173 | 1,175 |
| Bungalows | 1,876 | 1,873 |
| Total Housing Dwelling Stock | 7,508 | 7,546 |
| | £'000 | £'000 |
| Balance Sheet Value | 424,923 | 402,265 |

During the year, the Council disposed of 47 dwellings (46 sold through the RTB Scheme and 1 on the open market) and bought 9 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.

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|-------------------------------|---------------------------|---------------------------|
| Operational assets | 426 | 443 |
| Other land and buildings | 8,531 | 5,678 |
| HRA land | 5,510 | 5,473 |
| Surplus assets | 0 | 0 |
| Shared Ownership Properties | 1,393 | 1,429 |
| Total other HRA assets | 15,860 | 13,023 |

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 2023 was £1,011.721m (£957.775m at 31 March 2022). This compares against a value shown in the Balance Sheet as at 31 March 2023 of £424.923m (£402.266m as at 31 March 2022). The difference between the two values takes account of dwellings being occupied by secure tenants, in 2022/23 this is 42% (42%, 2021/22).

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 revaluation loss of £0.821m (2021/22 gain of £3.717m). Revaluation gains on HRA Investment Properties was £0.082m in 2022/23 (2021/22, gain of £1.755m). All impairment charges relate to council dwellings.

7 Major Repairs Reserve

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Balance 1 April | 2,239 | 2,174 |
| HRA Depreciation | 8,322 | 7,766 |
| Transfer (to)/from HRA (difference between depreciation and MRA) | 7,101 | 9,408 |
| Amount used to finance capital expenditure | (16,691) | (17,109) |
| Balance Carried Forward | 971 | 2,239 |

8 Financing of Capital Expenditure

Capital expenditure associated with the improvement of the Council's housing stock amounted to £19.732m. This expenditure has been financed as follows:

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|--------------------------------|---------------------------|---------------------------|
| Grants received | 388 | 1,546 |
| Major repairs reserve | 16,691 | 17,109 |
| Usable capital receipts | 354 | 512 |
| Prudential borrowing | 640 | 908 |
| HRA capital investment reserve | 1,659 | 221 |
| Total HRA assets | 19,732 | 20,296 |

NOTES TO THE HOUSING REVENUE ACCOUNT

9 Capital Receipts

| | 2022/23 Total £'000 | 2022/23 Pooled £'000 | 2022/23 Usable £'000 | 2021/22 Usable £'000 |
|------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| Sale of council houses | 3,221 | 0 | 3,221 | 2,472 |
| Sale of other assets | 291 | 0 | 291 | 246 |
| Mortgage receipts | 0 | 0 | 0 | 1 |
| Total | 3,512 | 0 | 3,512 | 2,719 |

10 Depreciation Charges

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|---------------------------|---------------------------|---------------------------|
| Housing Dwellings | 8,290 | 7,731 |
| Other Operational Assets | 32 | 35 |
| Total Depreciation | 8,322 | 7,766 |

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 £1.326m 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 £1.003m for work on communal flats, waste disposal and energy performance certificates, £0.158m for parking solutions and £0.165m 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 2022/23 is £0.803m (2021/22, £0.767m) and the total liability outstanding is £6.753m. This is included within the pension deficit figure shown on the Balance Sheet.

NOTES TO THE HOUSING REVENUE ACCOUNT

13 Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme. Approximately 35.9% of the Council's tenants received some help towards the cost of rent charges in 2022/23 (38.10% for 2021/22).

14 Water Charges Provision

On 29 November 2019 the High Court handed down judgment in the case of *Royal Borough of Kingston upon Thames v Moss (2019)*. This judgment impacts on social housing landlords who resold water and sewage services to its tenants for the purposes of the Water Industry Act 1991 under an agreement. Until 31 March 2018, the Council had such an agreement with Severn Trent Water Authority (STWA). The High Court's decision was subsequently appealed to the Court of Appeal. The judgment of the Court of Appeal in the *Royal Borough of Kingston upon Thames v Moss [2020]* was published on 27th October 2020. The result of that case is that Kingston lost its appeal to the Court of Appeal over the earlier High Court ruling that it overcharged tenants for water. As a result of this judgement it is likely that the Council is bound by the maximum charges provisions of the Water Resale Orders 2001 and 2006, it will have charged tenants sums in excess of the maximum charges and tenants will have a right to recover overpayments of charges. No claims have been received to date. The estimated liability at 31 March 2023 for the refund of these earlier years' charges is a provision of £1.053m and has been included as a provision.

15 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, if required, and is included in the Balance Sheet within earmarked reserves.

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Balance B/fwd 1st April | (29,160) | (31,700) |
| Transferred to Reserve in year | 0 | 0 |
| Transferred to HRA from Reserve in year | 0 | 2,540 |
| Repayment of debt from the Reserve in year | 0 | 0 |
| Balance as at 31st March | (29,160) | (29,160) |

NOTES TO THE HOUSING REVENUE ACCOUNT

16 Exceptional Item

There are no exceptional items to be disclosed during 2022/23.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

| 2021/22 | | | 2022/23 | | |
|---|----------------------|----------------|-------------------------|----------------------|----------------|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| INCOME | | | | | |
| - | (64,933) | (64,933) | - | (67,874) | (67,874) |
| (15,205) | - | (15,205) | (15,901) | - | (15,901) |
| (11) | 0 | (11) | 0 | 0 | 0 |
| <i>Apportionment of Previous Year Deficit</i> | | | | | |
| (2,642) | 0 | (2,642) | (2,078) | 0 | (2,078) |
| (2,114) | 0 | (2,114) | (1,663) | 0 | (1,663) |
| (476) | 0 | (476) | (374) | 0 | (374) |
| (53) | 0 | (53) | (41) | 0 | (41) |
| (20,501) | (64,933) | (85,434) | (20,057) | (67,874) | (87,931) |
| EXPENDITURE | | | | | |
| <i>Apportionment of Previous Year Surplus</i> | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 2 | 2 | 0 | 105 | 105 |
| 0 | 6 | 6 | 0 | 485 | 485 |
| 0 | 0 | 0 | 0 | 28 | 28 |
| - | 1 | 1 | - | 85 | 85 |
| 0 | 9 | 9 | 0 | 703 | 703 |
| Precepts, Demands and Shares | | | | | |
| 8,679 | 0 | 8,679 | 8,114 | 0 | 8,114 |
| 6,943 | 9,508 | 16,451 | 6,492 | 9,830 | 16,322 |
| 1,562 | 43,785 | 45,347 | 1,461 | 45,699 | 47,160 |
| 174 | 2,510 | 2,684 | 162 | 2,593 | 2,755 |
| - | 7,649 | 7,649 | - | 8,071 | 8,071 |
| 17,358 | 63,452 | 80,810 | 16,229 | 66,193 | 82,422 |
| Charges to Collection Fund | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 54 | 0 | 54 |
| (320) | 514 | 194 | 163 | 781 | 944 |
| (1,044) | 0 | (1,044) | (534) | 0 | (534) |
| 102 | 0 | 102 | 103 | 0 | 103 |
| (1,262) | 514 | (748) | (214) | 781 | 567 |
| (4,405) | (958) | (5,363) | (4,042) | (197) | (4,239) |
| 7,345 | 304 | 7,649 | 2,940 | (654) | 2,286 |
| 2,940 | (654) | 2,286 | (1,102) | (851) | (1,953) |

The District Council precept and Council Tax contribution includes Parish Councils' requirements of £3.467m (2021/22 £3.387m).

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 2022/23 was £47.400m (£47.500m for 2021/22). The general national non-domestic multiplier for the year was 51.2p (51.2p in 2021/22). The small business non-domestic multiplier for the year was 49.9p (49.9p in 2021/22).

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.

NOTES TO THE COLLECTION FUND

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 2022/23 the calculation was as follows:

| Council Tax Band | 2022/23 Number of Band D Equivalents (adjusted for discounts) | 2021/22 Number of Band D Equivalents (adjusted for discounts) |
|---------------------|---|---|
| | 8,241.32 | 8,198.55 |
| B | 6,090.50 | 6,013.23 |
| C | 6,005.04 | 5,933.02 |
| D | 4,698.99 | 4,606.48 |
| E | 3,532.92 | 3,469.58 |
| F | 2,087.84 | 2,025.56 |
| G | 1,311.10 | 1,306.88 |
| H | 111.92 | 105.07 |
| | 32,079.63 | 31,658.37 |

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. The tariff paid by the Council in 2022/23 was £3.258m

NOTES TO THE COLLECTION FUND

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. The levy payable in 2022/23 was £1.210m.

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 2023 there was a surplus on the Collection Fund amounting to £1.953m (2021/22 deficit £2.286m). The breakdown of this figure between the preceptors and NEDDC is:

| Council Tax | Business Rates | | Council Tax | Business Rates |
|------------------------|------------------------|--|------------------------|--------------------------|
| 31 March 2022 £'000 | 31 March 2022 £'000 | | 31 March 2023 £'000 | 31st March 2023 £'000 |
| (97) | 1,176 | North East Derbyshire District Council | (125) | (441) |
| (451) | 265 | Derbyshire County Council | (587) | (99) |
| (80) | - | Derbyshire Police & Crime Commissioner | (105) | - |
| (26) | 29 | Fire Authority | (34) | (11) |
| - | 1,470 | Central Government | - | (551) |
| <u>(654)</u> | <u>2,940</u> | | <u>(851)</u> | <u>(1,102)</u> |

These amounts are included in the Balance Sheet and will be paid to the preceptors in 2023/24 and future years.

GROUP ACCOUNTS

GROUP ACCOUNTS

2022/23

GROUP MOVEMENT IN RESERVES STATEMENT

| 2022/23 | NEDDC Usable Reserves £'000 | NEDDC Unusable Reserves £'000 | Total NEDDC Reserves £'000 | RHL Reserves £'000 | Total Group Reserves £'000 |
|---|--|--|---|-----------------------------------|---|
| Balance at 31 March 2022 | 66,216 | 245,240 | 311,456 | (1,650) | 309,806 |
| Movement in Reserves during 2022/23: | | | | | |
| Total Comprehensive Income and Expenditure | 8,373 | 63,019 | 71,392 | 11,876 | 83,268 |
| Adjustments from I&E charged under the accounting basis to the funding basis under regulation | (4,695) | 4,695 | 0 | 0 | 0 |
| Increase or (decrease) in 2022/23 | 3,678 | 67,714 | 71,392 | 11,876 | 83,268 |
| Balance at 31 March 2023 | 69,894 | 312,954 | 382,848 | 10,226 | 393,074 |

GROUP MOVEMENT IN RESERVES STATEMENT

| 2021/22 | NEDDC Usable Reserves £'000 | NEDDC Unusable Reserves £'000 | Total NEDDC Reserves £'000 | RHL Reserves £'000 | Total Group Reserves £'000 |
|---|--|--|---|-----------------------------------|---|
| Balance at 31 March 2021 | 69,412 | 175,326 | 244,738 | (10,305) | 234,433 |
| Movement in Reserves during 2021/22: | | | | | |
| Total Comprehensive Income and Expenditure | 11,128 | 55,590 | 66,718 | 8,655 | 75,373 |
| Adjustments from I&E charged under the accounting basis to the funding basis under regulation | (14,324) | 14,324 | 0 | 0 | 0 |
| Increase or (decrease) in 2021/22 | (3,196) | 69,914 | 66,718 | 8,655 | 75,373 |
| Balance at 31 March 2022 | 66,216 | 245,240 | 311,456 | (1,650) | 309,806 |

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2021/22 Restated | | | | 2022/23 | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 29,044 | (25,336) | 3,708 | Finance & Resources Directorate | 23,325 | (20,613) | 2,712 |
| 16,503 | (8,436) | 8,067 | Organisation & Place Directorate | 14,827 | (5,932) | 8,895 |
| 2,660 | (5,603) | (2,943) | Growth & Assets Directorate | 11,490 | (13,709) | (2,219) |
| 48,207 | (39,375) | 8,832 | Cost Of General Fund Services | 49,642 | (40,254) | 9,388 |
| 7,035 | (30,848) | (23,813) | Housing Revenue Account | 12,850 | (31,989) | (19,139) |
| 0 | 0 | 0 | HRA Exceptional Item | 0 | 0 | 0 |
| 9,946 | (1,020) | 8,926 | Operating Costs of Rykneld Homes | 12,068 | (1,207) | 10,861 |
| 65,188 | (71,243) | (6,055) | Cost of All Services | 74,560 | (73,450) | 1,110 |
| | | 8,839 | Other Operating Expenditure | | | 5,611 |
| | | 4,173 | Financing and Investment Income and Expenditure | | | 5,365 |
| | | 0 | Surplus or Deficit of Discontinued Operations | | | 0 |
| | | (15,776) | Taxation and Non-Specific Grant Income | | | (17,969) |
| | | (8,819) | (Surplus) or Deficit on Provision of Services | | | (5,883) |
| | | (38,366) | (Surplus) or Deficit on Revaluation of Fixed Assets | | | (23,519) |
| | | | (Surplus) or Deficit on Revaluation of Available for Sale | | | |
| | | 0 | Financial Assets | | | 0 |
| | | (28,188) | Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | (53,866) |
| | | (66,554) | Other Comprehensive Income and Expenditure | | | (77,385) |
| | | (75,373) | Total Comprehensive Income and Expenditure | | | (83,268) |

GROUP BALANCE SHEET

| 31 March 2022 £'000 | Note | 31 March 2023 £'000 |
|---------------------------|------------------------------|---------------------------|
| 462,547 | Property, Plant & Equipment | 492,600 |
| 62 | Heritage Assets | 62 |
| 21,357 | Investment Property | 21,812 |
| 92 | Intangible Assets | 63 |
| 12,238 | Long Term Debtors | 15,461 |
| 496,296 | Long Term Assets | 529,998 |
| 0 | Assets Held for Sale | 0 |
| 175 | Inventories | 170 |
| 7,623 | Short Term Debtors | 10,214 |
| 40,239 | Cash and Cash Equivalents | 27,047 |
| 48,037 | Current Assets | 37,431 |
| 0 | Cash and Cash Equivalents | 0 |
| (154) | Short Term Borrowing | (4,156) |
| (21,868) | Short Term Creditors | (11,488) |
| (1,053) | Provisions (short term) | (1,052) |
| (23,075) | Current Liabilities | (16,696) |
| 0 | Long Term Creditors | 0 |
| (1,081) | Provisions | (867) |
| (153,687) | Long Term Borrowing | (149,311) |
| (56,684) | Other Long Term Liabilities | (7,481) |
| (211,452) | Long Term Liabilities | (157,659) |
| 309,806 | Net Assets | 393,074 |
| (67,028) | Usable Reserves | (70,360) |
| (242,778) | Unusable Reserves | (322,714) |
| (309,806) | Total Reserves | (393,074) |

GROUP CASH FLOW STATEMENT

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 8,819 | Net (surplus) or deficit on the provision of services | 5,883 |
| 23,751 | Adjustment to surplus or deficit on the provision of services for noncash movements | 13,636 |
| (28,574) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (31,304) |
| 3,996 | Net Cash flows from operating activities | (11,785) |
| 2,230 | Investing Activities | (864) |
| (2,453) | Financing Activities | (543) |
| 3,773 | Net (increase) or decrease in cash and cash equivalents | (13,192) |
| 36,466 | Cash and cash equivalents at the beginning of the reporting period | 40,239 |
| 40,239 | Cash and cash equivalents at the end of the reporting period | 27,047 |

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 7,508 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). To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiary) have been eliminated. 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 only differ slightly from those utilised by North East Derbyshire. The need to revalue assets is not part of the accounting policies of Rykneld Homes Limited and as such North East Derbyshire have revalued the properties so they reflect the accounting policies of the parent company. This is done as the difference in policy has a material impact upon the Group Accounts produced above.

3 Retained Surplus / Deficit

In 2022/23 Rykneld Homes Limited made a loss of £2.489m (2021/22 loss of £2.309m).

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.

[*North East Derbyshire District Council Statement of Accounts 2022/23*](#)

NOTES TO THE GROUP ACCOUNTS

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| <u>Comprehensive Income and Expenditure Statement</u> | | |
| <i>Cost of Service</i> | | |
| Current Service cost | 8,306 | 8,440 |
| Past Service Cost | 36 | 4 |
| (Gain)/loss from settlements | 0 | 0 |
| <i>Financing and Investment Income and Expenditure</i> | | |
| Net Interest Expense | 1,523 | 1,579 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service | 9,865 | 10,023 |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | | |
| Re-measurement of the net defined benefit liability comprising: - | | |
| Return on Plan Assets (excluding the amount included in the net interest expense) | 10,615 | (9,864) |
| Actuarial gains and losses arising on changes in demographic assumptions | (3,481) | (1,519) |
| Actuarial gains and losses arising on changes in financial assumptions | (88,966) | (17,265) |
| Other (if applicable) | 27,966 | 460 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (53,866) | (28,188) |

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening fair value of scheme assets | 190,920 | 178,275 |
| Interest Income | 5,141 | 3,555 |
| <i>Re-measurement gain/(loss):</i> | | |
| The return on plan assets, excluding the amount included in the net interest expense | (9,957) | 9,864 |
| The effects of changes in foreign exchange rates | 0 | 0 |
| Employer contributions | 4,501 | 4,181 |
| Contributions from employees into the scheme | 1,157 | 1,053 |
| Benefits paid | (6,404) | (6,008) |
| Other | (10,372) | 0 |
| Closing fair value of scheme assets | 174,986 | 190,920 |

NOTES TO THE GROUP ACCOUNTS

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

| | 2022/23 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Opening balance at 1 April | (245,436) | (255,137) |
| Current service cost | (8,306) | (8,440) |
| Interest cost | (6,664) | (5,134) |
| Contributions from scheme participants | (1,157) | (1,053) |
| Contributions in respect of unfunded benefits | 0 | 0 |
| <i>Re-measurement gain/(loss):</i> | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 3,481 | 1,519 |
| Actuarial gains/losses arising from changes in financial assumptions | 88,966 | 17,265 |
| Other | (18,252) | (460) |
| Past service cost | (36) | (4) |
| Losses/(gains) on curtailment | 0 | 0 |
| Liabilities assumed on entity combinations | 0 | 0 |
| Benefits Paid | 6,404 | 6,008 |
| Return on assets excluding amounts included in net interest | 0 | 0 |
| Liabilities extinguished in settlements | 0 | 0 |
| Closing Defined Benefit Obligation | (181,000) | (245,436) |

Scheme History

| | 2022/23 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 | 2018/19 £'000 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Present value of liabilities | (181,000) | (245,436) | (255,137) | (197,227) | (224,995) |
| Fair value of assets | 174,986 | 190,920 | 178,275 | 147,983 | 154,279 |
| Scheme Surplus/(deficit) | (6,014) | (54,516) | (76,862) | (49,244) | (70,716) |

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 £29.774m (2021/22, £29.294m) made up of net management fee of £10.398m (2021/22, £9.715m) to undertake the management and maintenance function of the Council's housing stock, the Council made 0 loans to Rykneld Homes Limited during 2022/23 for £0.000m (2021/22, £0.184m), other transactions amounting to £0.766m (2021/22, £0.363m) and £18.610m (2021/22, £19.032m) for capital works to the Council's housing stock.

NOTES TO THE GROUP ACCOUNTS

Rykneld Homes Limited purchased goods and services from the Council to the value of £2.153m (2021/22 £2.935m).

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 2022/23.

| | NEDDC Balance Sheet £'000 | RHL Balance Sheet £'000 | NEDDC IOB £'000 | RHL IOB £'000 | Total £'000 |
|----------------------|--|--|--------------------------------|--------------------------|------------------------|
| Short Term Debtors | 10,206 | 3,510 | (5) | (3,497) | 10,214 |
| Short Term Creditors | (11,554) | (3,436) | 3,497 | 5 | (11,488) |
| | <u>(1,348)</u> | <u>74</u> | <u>3,492</u> | <u>(3,492)</u> | <u>(1,274)</u> |

At 31 March 2023, Rykneld Homes Limited owed the Council £0.192m for goods and services received while the Council owed Rykneld Homes Limited £3.305m 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.

CURRENT EXPENDITURE

This is the general term for “running costs” including employee costs and running expenses but not debt charges.

GLOSSARY

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).

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.

GLOSSARY

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.

GLOSSARY

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.

PRUDENCE

The concept that revenue is not anticipated but recognised only when realised or reasonably certain to be realised.

GLOSSARY

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.

GLOSSARY

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

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Introduction

The Council sets out our vision in the Council Plan for the period 2019-2023:

North East Derbyshire is:

- ***Clean and attractive***
- ***A place where people are proud to live and work***
- ***A place where people will prosper***
- ***A place where people will feel safe, happy and healthy***

The Council's core business is to provide good quality services fit for the 21st Century. We will do this by transforming our services whilst ensuring our residents receive value for money for the council tax they pay.

This Annual Governance Statement reviews arrangements in place for the financial year 2022/23. The services and projects which the Council has delivered during the course of the year, are linked to our strategic objectives and plans for the future, alongside monitoring current performance and risks. One of the key priorities and risks this year has been managing the impact of the rising cost of living on both the Council and the wider community.

The Annual Governance Statement

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA /SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*.

This Statement explains how the Council has complied with the code for the year ended 31 March 2023 and also meets the requirements of Accounts and Audit Regulations 2015 (as amended).

The Scope of the Council's Responsibility

North East Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

North East Derbyshire District Council Statement of Accounts 2022/23

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The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework

The Governance Framework identifies the assurance needed to meet the Council's Strategic objectives and how this assurance is achieved. It also identifies areas that require improvement (detailed below in Significant Governance Issues).

| | | |
|--|---|---|
| Assurance Required: <ul style="list-style-type: none">• Delivery of Council Plan• Communication of Performance• Financial Management including compliance with CIPFA's Financial Management Code• Value for Money• Effective action against service failure• Members and Officers working effectively together• High standards• Transparency• Risk Management• Public Accountability• High ethical standards from members and officers• | Source of Assurance: <ul style="list-style-type: none">• Constitution• Senior Management Team• MTFP• Financial Regulations• Procurement rules• Organisational Development Strategy• Information Management Strategy• ICT & Digital Strategy• Health & Safety Policy• Risk Management Policy• Internal and External Audit• Audit/Scrutiny Committees• Standards Committees• Member/Officer Code of Conduct | Assurance Received: <ul style="list-style-type: none">• Statement of Accounts• External Audit• Internal Audit• Risk Registers• Scrutiny Reviews• Annual Review of Constitution• Audit Committee reviews• Service reviews• External Assurance and advice• Standards Committee monitoring and review and advice |
|--|---|---|

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The Council Plan

The Council Plan was launched in the summer of 2019 with a vision for North East Derbyshire as *“a place that is clean and attractive, a place where people are proud to live and work, a place where people will prosper and a place where people will feel safe, happy and healthy”*.

Our values are:

- ***To be honest, open and accountable***
- ***To treat everyone fairly and with respect***
- ***To listen, involve and respond***
- ***To embrace change and innovation***

Our Aims are:

- ***Enhancing our residents' quality of life***
- ***Protecting and promoting the character of our District***
- ***Delivering high quality cost effective services by engaging with our residents, our partners and our staff***
- ***Growing our local economy and being a business friendly district.***

Performance Management

We perform regular monitoring and reporting in line with the Council Plan and ensure that we are transparent with the key performance measures we put in place. Each year we undertake to review our delivery through the Council's performance management framework against the plan and report these findings.

As detailed above, the Council has four strategic aims designed to deliver this vision through priorities that cover the life of the Council Plan.

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.

We also monitor the performance of the companies that we own and/or have an interest in. The Council has a 50% stakeholder interest in Northwood Group Limited, who build residential properties for sale in the district. The Council is

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represented on the Board by both a Director and an elected member and regular meetings are held to monitor performance and scrutinise governance, with both the Council's S151 Officer and Monitoring Officer in attendance. The Council also has a wholly owned subsidiary, Rykneld Homes Ltd, who manage the Council's housing stock under a management agreement. Again regular monitoring meetings are held, attended by senior officers from both organisations as well as the Chair of Rykneld Homes' board and representatives from the Council's Cabinet.

Risk

The longer term sustainability of both our service delivery and the Council's financial position are protected by Corporate, Service and Financial Plans which cover a four year period. These are supported by a Risk Management Strategy and associated framework which identifies and mitigates the Strategic and Operational risks which could hinder or prevent our plans being achieved.

Our organisation is risk aware rather than risk averse as the decision whether to accept risk has to be taken in light of the potential benefits of a proposed course of action. The extent to which the Council is risk averse, will undoubtedly impact on its potential to progress available opportunities to secure benefits for local residents.

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

Although the Council can do much to manage the risks it faces, it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key risks included in the Strategic Risk Register at the end of the reporting period (31 March 2023) are:

- *National Funding, Priorities, Policy or Regulatory change which affects the Council area and impacts upon the business of the Council negatively.*
- *Failure to deliver a balanced budget.*
- *Operational service failure which has a major impact upon the Council as a whole or significant impact upon the local community*
- *Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by incidents such as pandemic, natural disaster, a loss of*

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data / systems which results in the inability to provide core services and potential reputational damage.

- *Difficulty in recruiting to key posts or in replacing key staff who leave.*
- *Delivery of major initiatives and key projects whilst implementing a range of new government reforms against a backdrop of challenging financial targets and maintaining service quality*
- *Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners*
- *Ineffective 'Good Governance' arrangements including; Performance, Finance and Risk Management.*
- *Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.*
- *Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.*
- *Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.*
- *Meeting the challenge and impact upon the organisation in its environment of Climate Change.*
- *Impact on the organisation and its communities of rising cost of living.*
- *Impact of Asylum Dispersal Area Status now it is no longer voluntary for LA's to decide.*
- *Devolution and County Deals*
- *Refusals of planning consent being issued based on non-evidenced decisions*
- *Risks associated with the Company's development joint venture, Northwood Group Ltd, following the collapse of the main contractor.*
- *Threat to recruitment and retention of senior officers.*

Decision making

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The Council consists of 53 elected members with a Cabinet of lead members who are supported by scrutiny committees. The Council has a formal Constitution in place which sets out how it operates, how decisions are made and the procedures for ensuring that the organisation is efficient, transparent and accountable to local people. It contains the basic rules that govern the Council's business and a section on responsibility for functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its members and officers operate.

Following a period of considerable change over recent years, there has been the opportunity over the past year to build stability through the senior management team and embed the collaborative leadership and "one team" ethos throughout.

The Constitution is available on the Council's website and is reviewed annually through the Standards Committee and Annual Council. The Constitution sets out the functions of key governance officers, including statutory posts of *Head of Paid Service* (Managing Director), *Monitoring Officer* (Assistant Director of Corporate Governance and Solicitor to the Council) and *Section 151 Officer* (Director of Finance and Resources) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to members, officers and committees on staff management, financial, legal and ethical governance issues.

The Council is also the Accountable Body for the Clay Cross Town Deal. The Clay Cross Town Board has been awarded £24.1m to shape and deliver a programme of investment in the Town due for completion by 2026.

Compliance with the Financial Management Code

CIPFA's Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. It identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code is structured around seven areas of focus:

- The Responsibilities of the Chief Finance Officer and Leadership team
- Governance and Financial Management style
- Medium to Long-term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Cases
- Financial Performance Monitoring
- External Financial Reporting

Demonstrating compliance with the Code is a collective responsibility of the Elected Members, the Chief Finance Officer and the Senior Management Team. In doing this the statutory role of the Section 151 Officer will not only be recognised but also

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supported, to achieve the combination of leadership roles essential for good financial management.

The Internal Audit team regularly audit compliance and in the most recent audit concluded that the Council has substantial compliance with the Code requirements. A benchmarking methodology is used to demonstrate the Council's financial resilience which is reported to the Audit Committee. The benchmarking results continue to show that the Council's revenue and capital health is healthy, with sufficient revenue reserves to cover net expenditure requirements and a CFR that is in proportion to asset values. The real risk to financial resilience comes from the current national funding assessment, and whilst business rates growth generates income to assist, the Council's low taxbase limits the ability to generate additional income through council tax which is a major income source in the current funding regime.

The Chief Financial Officer remains responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's *"Statement on the Role of the Chief Financial Officer in Local Government (2016)"*. The Council's Chief Financial Officer is a qualified finance professional, a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

Managing Information

Information is central to the Council and we recognise that we have a responsibility to safeguard the information we hold and to manage it with care and accountability.

The Council complies with the Transparency Agenda, Freedom of Information obligations and the requirements of the General Data Protection Regulations (GDPR) regarding the collection, use and transfer of personal data with an appropriately qualified and experienced Data Protection Officer in post.

Assurance from Audit

The Council's external auditor is Mazars LLP. In accordance with their statutory requirements, their annual audit includes examining and certifying whether the financial statements are "true and fair" and assessing our arrangements for securing value for money in the use of resources. In 2022, Mazars LLP gave an unqualified audit opinion on both the financial statements and the use of resources.

The Council's Internal Audit function is provided on a consortium basis and is independently managed by the Head of the Internal Audit Consortium. Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is compliant with the Public Sector Internal Audit Standards. The Internal Audit function meets the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019)

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

The Head of the Internal Audit Consortium concludes:

“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 2022/23. Sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place.

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

As well as internal audit work assurance has also been gained from previous years’ work, the work of the risk management group, PSN compliance, external audit and compliance with the Code of Corporate Governance.

Overall, 100% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.”

The Role of the Audit Committee

The Audit and Corporate Governance Scrutiny Committee carries out the functions of an Audit Committee at the Council. The Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. It is a statutory requirement and comprises 9 members appointed annually on a politically balanced basis by the Council. Its main functions include:

- *Agreeing the Annual Governance Statement and the Annual Statement of Accounts*
- *Overseeing Internal Audit’s independence, objectivity, performance and professionalism and supporting their effectiveness*
- *Considering the effectiveness of risk management including risks of fraud, bribery and corruption*
- *Considering the reports of external auditors and inspectors*

The effectiveness of the committee is reviewed annually utilising CIPFA's self-assessment of good practice, specifically aimed at Audit Committees.

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Conduct

Our codes of conduct for members and employees clearly set out the standards and behaviour required. They are regularly reviewed and updated as required and both members and staff are periodically reminded of the requirements.

These include the need for members to register personal interests and the requirements for employees and members concerning gifts and hospitality, outside commitments and personal interests.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Whistleblowing Policy that advises staff and others who work for us how to raise concerns about activities in the workplace. This is reviewed annually by the Standards Committee who also consider any entries on the whistleblowing register for the preceding 12 months. A copy of the policy can be found on the Council's website.

Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact on service provision and morale and undermine confidence in the Council's governance arrangements and that of public bodies generally.

There is little evidence that the incidence of fraud is a major issue for the Council but the risk is increasing nationally. The Council has a zero tolerance approach to Anti-Fraud and Corruption.

Significant Governance Issues

The progress made during 2022/23 on the significant issues identified in the 2021/22 Annual Governance Statement is shown below:

| Issue Identified | Mitigation |
|---|--|
| Pressure on the Council's Budget. Efficiencies of £4.6m need to be identified by March 2026 as identified in the Medium Term Financial Plan (MTFP). The impact of the funding settlement will have a significant bearing on this in future years. | The Council has a track record of achieving savings. Further delays to the Government's funding and business rates reviews also aids the position however it should be recognised that these delays do make medium term financial planning more challenging. |

ANNUAL GOVERNANCE STATEMENT

| | |
|---|---|
| | <p>The Council has a well-established culture of working to identify and implement both income generating and service redesign opportunities. Progress is regularly reviewed and reported by senior management, Cabinet and Scrutiny.</p> |
| <p>Planning Approvals</p> <p>Refusals of planning consent being issued based on non-evidenced decisions and not based on material planning considerations with potential for financial and reputational loss.</p> | <p>Routine training for decision makers on the Planning Committee, professional planning and legal representatives at meetings to offer advice and assistance.</p> |
| <p>Difficulty in recruiting to key roles</p> <p>The Council is experiencing some difficulties in recruiting to key posts across the organisation potentially leading to deteriorating service delivery, reduction in key controls and increased pressure on existing staff</p> | <p>A number of measures including applications by CV, standardised recruitment packs and use of social media for advertising have been introduced alongside promotion of opportunities to work from home where the role allows.</p> <p>More detailed workforce planning to build resilience is being introduced along with the innovative Talent Pipeline recruitment scheme.</p> |
| <p>Cost of Living Increases</p> <p>The pressure the current cost of living price increases are placing on both the Council as an organisation and the wider community.</p> | <p>Detailed data collection and analysis has aided forecasting in key risk areas such as energy costs. Utilisation of the Resilience Reserve to fund short term pressures has also helped.</p> <p>Proactive communications and signposting initiatives for the community alongside delivery of grants for energy support</p> |
| <p>Cyber Security</p> <p>To keep under review the arrangements in place to manage the</p> | <p>A review of arrangements has been undertaken and reported to the Joint ICT partners. This includes increasing</p> |

ANNUAL GOVERNANCE STATEMENT

| | |
|---|--|
| increased risk of cyber security attacks. | resilience in the ICT team, incorporating a lead officer who is a member of the Senior Management Team to take responsibility for risks and strategic decision making. Work is underway to work with a team of specialists in this area to health check, train and provide advice on increased risk areas. |
|---|--|

Based on our review of the Governance Framework, the following issues will be addressed in 2023/24:

| Issue Identified |
|---|
| <p>Pressure on the Council's Budget.</p> <p>Efficiencies of £m need to be identified by March 2027 as identified in the Medium Term Financial Plan (MTFP). The impact of the funding settlement will have a significant bearing on this in future years.</p> |
| <p>Planning Approvals</p> <p>Refusals of planning consent being issued based on non-evidenced and not based on material planning considerations decisions with potential for financial and reputational loss.</p> |
| <p>Difficulty in recruiting to key roles including senior officers</p> <p>The Council continues to experience difficulties in recruiting to key posts including senior officer roles, across the organisation potentially leading to deteriorating service delivery, reduction in key controls and increased pressure on existing staff.</p> |
| <p>Cyber Security</p> <p>To keep under review the arrangements in place to manage the increased risk of cyber security attacks.</p> |
| <p>Governance Arrangements for Council owned companies</p> <p>Following the collapse of the main contractor, the risks associated with the Company's development joint venture Northwood Group Ltd need to be kept under close scrutiny.</p> <p>The expectations of the new regulatory environment for social housing landlords from April 2023 hold the Council directly to account for how tenants' homes are managed and the governance and assurance systems need review to ensure they robustly demonstrate this.</p> |

ANNUAL GOVERNANCE STATEMENT

These issues will be monitored during 2023/24 and reported to senior management and to the Audit Committee. No other major changes to the Council's governance framework are planned at this time, but we will continue to review and adapt it to ensure that the Framework remains proportionate to the risks that are faced.

Opinion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the Annual Governance Statement action plan.

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



Lee Hickin
Managing Director
(Head of Paid Service)

Cllr Nigel Barker
Leader of the Council

North East Derbyshire District Council

Audit Committee

4 December 2023

Assessment of Going Concern 2022/23

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To inform the Committee of an assessment of the Council as a 'going concern' for the purposes of producing the 2022/23 accounts.

RECOMMENDATIONS

1. That the Audit Committee accepts the outcome of the Council's Section 151 Officer's assessment of the Council's 'going concern' status for the purpose of preparing the Statement of Accounts for 2022/23.

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations.

On Behalf of the Solicitor to the Council

Staffing**Yes****No ✓**

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

| | |
|--|---------------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies | N/A |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | N/A |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

| |
|---|
| Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications. |
| All |

REPORT DETAILS**1 Background**

- 1.1 The statement of accounts are audited by the Council's external auditors, Mazars LLP who provide an opinion with regard to the quality or integrity of the financial information, including the principal of 'going concern'.

2 Details of Proposal or Information**Assessment of Going Concern**

- 2.1 The concept of 'going concern' assumes that a Council's functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Code of Practice for Local Authority Accounting and is made because local authorities carry out functions essential to

the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).

- 2.2 If a Council was in financial difficulty, the prospects are that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 2.3 Where the assessment determines the 'going concern' status is not proven, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.
- 2.4 Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of councils as a consequence, external auditors continue to place a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report sets out the position for the Council and provides justification for the 2022/23 financial statements being prepared on a 'going concern' basis.
- 2.5 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2022/23 ("the Code"). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Statement of Accounts is prepared each year assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The Assessment for Going Concern

- 2.6 The main factors which underpin this assessment are:
 - The Council's current financial position;
 - The Council's projected financial position;
 - The Council's balance sheet;
 - The Council's cash flow;
 - The Council's governance arrangements;
 - The regulatory and control environment applicable to the Council as a local authority.

Each of the above is considered in more detail below.

- 2.7 The provisions in the 2022/23 Code (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as local authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.

- 2.8 The requirements to use the going concern basis of accounting mean that Council's do not apply paragraph 25 of IAS 1 Presentation of Financial Statements mandating management to make an assessment of the authority's ability to continue as a going concern. However, this reporting requirement is separate from the need for them to report on the impact of financial pressures in the Narrative Report and, for example, other relevant liquidity reporting requirements such as those under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.

The Council's Current Financial Position – Revenue Resources

General Fund

- 2.9 As reported to Cabinet in July, the General Fund's Net Cost of Services was under spent by £0.327m in 2022/23. As of 31 March 2023 the Council held a General Fund Balance of £2.0m and Earmarked Reserves totalling £21.272m. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

- 2.10 The HRA Net Cost of Services was £0.581m overspent against budget. As at 31 March 2022 the Council held an HRA Balance of £3m which was in line with the revised budget. HRA Earmarked Reserves totalling £30.860m were held. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis. The HRA has a fully funded 30-year Business Plan.
- 2.11 The Director of Finance and Resources (Section 151 Officer) is therefore satisfied that the Council's 2022/23 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Projected Financial Position – Revenue Resources

- 2.12 The financial projection for 2022/23 to 2026/27 was approved by Members in January 2023 in the Medium-Term Financial Plan (MTFP). As a result of the extraordinary external pressures faced, £0.784m was required from reserves to set a balanced budget for 2023/24. The call on reserves has subsequently reduced to £0.311m following the half year budget review. The requirement to achieve financial savings over the medium term was 2024/25 £0.498m; 2025/26 £1.922m and 2026/27 £2.069m.
- 2.13 To help mitigate losses caused by changes in Government funding and wider budget pressures the Council has established a Resilience Reserve in the MTFP. Un-ring fenced surpluses are accrued in this reserve and accumulated balances will be utilised to even out the government funding losses and other identified budget pressures over the life of the current MTFP. The balance on this reserve currently stands at £2.927m.
- 2.14 The Council's Section 151 Officer made a formal statement in January 2023 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the Medium Term Financial Plan. The underlying assumptions within this plan have been reviewed and at this stage remain in place. Performance

continues to be reviewed through robust budget management and will be updated as part of the mid-year review. The medium term financial planning process will fully challenge the assumptions and estimates and refresh the position accordingly. At this stage the S151 Officer is satisfied that the Council's forecast financial position does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Balance Sheet as at 31 March 2023

- 2.15 The Council's net assets amounted to £383m and Usable Reserves totalled £70m. There are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Cash Flow

- 2.16 The Council maintains short- and long-term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2023 the Council has long-term borrowing commitments of £143m and held £6m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. There are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Governance Arrangements

- 2.17 The Council has a well-established and robust corporate governance framework. This includes the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 officer in addition to the current political arrangements. An overview of this governance framework is provided within The Annual Governance Statement.
- 2.18 Whilst it is not possible to provide absolute assurance, the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purpose and help provide reasonable assurance of their effectiveness. There are no plans for the Council to be reorganised or dissolved and we expect to operate under the current framework in the near future. There are no significant issues regarding the Council's governance framework which present any material uncertainties regarding the Council's ability to continue as a going concern

The External Regulatory and Control Environment

- 2.19 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

- 2.20 The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. There are no significant issues regarding the external regulatory and control environment which present any material uncertainties regarding the Council's ability to continue as a going concern.

Material Uncertainties

- 2.21 The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern.
- 2.22 There are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council's ability to continue as a going concern.

3 Reasons for Recommendation

- 3.1 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that there are no material uncertainties regarding the Council's status as a 'going concern' and the Council's accounts for 2022/23 have appropriately been prepared on this basis. This report gives that assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval and provides assurance to the Audit and Corporate Governance Scrutiny Committee and Mazars, the Council's external auditor.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

| Appendix No | Title |
|--------------------------|-------|
| | |
| Background Papers | |
| | |

North East Derbyshire District Council

Audit Committee

4 December 2023

Audit Completion Report 2022/23

Report of the External Auditor

Classification: This report is public

Report By: James Collins, Engagement Lead, Mazars

Contact Officer: James Collins

PURPOSE/SUMMARY

- To provide the Audit Committee with a copy of the Audit Completion Report of the Council's external auditors Mazars in respect of the 2022/23 financial year.

RECOMMENDATIONS

1. That the Audit Committee gives its consideration to the attached report from the Council's external auditors, Mazars.
2. That the Audit Committee approve the draft Letter of Representation contained within the Audit Completion Report and authorise the Director of Finance & Resources (S151 Officer) to sign the letter on behalf of the Council.

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

| | |
|--|---------------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies | N/A |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | N/A |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

| |
|---|
| Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications. |
| All |

REPORT DETAILS

1 Audit Completion Report

- 1.1 The Audit Completion Report attached at **Appendix 1** summarises the findings of Mazars in respect of the 2022/23 audit.
- 1.2 The Committee are requested to note and consider the Management Representation Letter contained within the Audit Completion Report. The Director of Finance & Resources (S151 Officer) will be required to sign the management representation letter to Mazars on behalf of the Council.

2 Reasons for Recommendation

- 2.1 This report is presented to the Audit Committee as part of the process of agreeing the Council's Statement of Accounts in respect of the 2022/23 financial year.

4 Alternative Options and Reasons for Rejection

4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

| Appendix No | Title |
|--------------------------|-----------------------------------|
| 1 | Audit Completion Report by Mazars |
| Background Papers | |
| | |

Audit Completion Report

North East Derbyshire District Council –
Year ended 31 March 2023

4 December 2023



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- 02** [Status of the audit](#)
- 03** [Audit approach](#)
- 04** [Significant findings](#)
- 05** [Internal control recommendations](#)
- 06** [Summary of misstatements](#)
- 07** [Value for money arrangements](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.
Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Audit and Governance Scrutiny Committee

North East Derbyshire District Council
2013 Mill lane
Wingerworth
Chesterfield
S42 6NG

4 December 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. 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 3 July 2023. 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 james.collins@mazars.co.uk

Yours faithfully

Signed: 
James Collins (Nov 30, 2023 18:32 GMT)

James Collins

Mazars LLP

Mazars LLP
The Corner
Newcastle
NE1 1DF

01

Section 01: **Executive summary**

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- valuation of Property, Plant and Equipment & Investment Property (significant risk);
- valuation of net defined benefit liability (significant risk);
- management override of controls (significant risk); and
- group accounting (enhanced risk).

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remain outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.



Audit opinion

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



Value for money arrangements

Work on Value for money is still ongoing. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



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. For the year under audit we have received no objection from local electors.

02

Section 02: **Status of the audit**

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

| Audit area | Status | Description of the outstanding matters | |
|--|---|---|--|
| Land, Buildings and Investment properties |  | Evidence supporting the values disclosed in the accounts is yet to be reviewed, further queries may arise from this | |
| Pensions |  | Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Derbyshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required | |
| Expenditure testing |  | We have a small number of tests to complete, including on Housing Benefits. |  Likely to result in material adjustment or significant change to disclosures within the financial statements. |
| Group accounts |  | We have some outstanding audit procedures on the group accounts | |
| Investments |  | Enquiries have been made to management regarding the reporting of interest in other bodies. |  Potential to result in material adjustment or significant change to disclosures within the financial statements. |
| Whole Government Accounts |  | NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 14. | |
| Housing Revenue Account and Collection Fund |  | Work in this area is ongoing |  Not considered likely to result in material adjustment or change to disclosures within the financial statements. |
| Evidence, review and evaluation |  | Including debtors | |
| Audit Quality Control and other Completion Procedures including the Disclosure Checklist |  | Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including review of revised financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations. | |

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.240m and £1.250m for the group using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £1.344m and £1.362m for the group using the same benchmark

Reliance on internal audit

As part of our audit, we have not relied on the work of the internal audit however as included in our Audit Strategy Memorandum we have made enquiries with internal audit and reviewed the Head of Internal Audit Report which informed the nature, extent and timing of our audit procedures.

Use of experts

In our Audit Strategy Memorandum we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or matters arising to report.

| Item of account | Management’s expert | Our expert |
|---|---|--|
| Property, Plant and Equipment & Investment Properties | Damien Johnson Internal Valuer - RICS Surveyor | None. We may use third party evidence provided via the NAO to support our challenge of valuation assumptions. |
| | Wilks, Head & Eve The Council’s external valuer (non-dwellings) | |
| | Barlow Property Consultancy The Council’s external valuer (dwellings) | |
| Pensions | Hymans Robertson Actuary for Derbyshire Pension Fund (LGPS) | PwC LLP (Consulting actuary appointed by the National Audit Office). |
| Financial Instrument disclosures | Arlingclose Treasury management advisors | None. |
| Business Rates Appeals Valuation | Inform CPI Ltd | None |



Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. In our Audit strategy Memorandum we reported that we had not identified any service organisations which were relevant to the Council. This is still the case and there are no changes to the planned approach or matters arising to report

3. Audit approach

Group audit approach

Where relevant and necessary, provide information on the planned and actual group audit approach.

| Group component | Approach adopted | Key points or other matters to report |
|--|---|---|
| North East Derbyshire District Council |  | None. As part of group consolidations audit procedures, we have ensured that the accounting policies of the subsidiaries are in line with those of the parent, i.e. the council |
| Rykneld Homes Limited |  | None at this stage of the audit |



Full audit

Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality



Audit of balances and/or disclosures

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



Specific audit procedures

Performance of specific audit procedures on the component's financial information



Review procedures

Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04: **Significant findings**

4. Significant findings

- In this section we outline the significant findings from our audit. These findings include:
- our audit conclusions regarding other 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 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
 - any further significant matters discussed with management; and
 - any significant difficulties we experienced during the audit.

Significant risks

| Management override of controls | Description of the risk |
|---------------------------------------|--|
| | <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> |
| | <p>How we addressed this risk</p> <p>We addressed this risk by carrying our audit work in the following areas:</p> <ul style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business or that are otherwise unusual; and• journals recorded in the general ledger (selected based on our fraud risk characteristics) and other adjustments made in preparation of the financial statements. |
| | <p>Audit conclusion</p> <p>Our work has provided the required assurance, and we have no matters to report.</p> |

4. Significant findings

| | |
|---|---|
| Net defined benefit liability valuation | Description of the risk The Council's accounts contain material liabilities relating to the local government pension scheme. 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. |
| | How we addressed this risk Our planned procedures include: <ul style="list-style-type: none">• Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson LLP;• Liaising with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes 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 to complete and accurate;• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office (NAO); 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. |
| | Audit conclusion As detailed in section 2 our work on this area is ongoing. We are currently awaiting an assurance letter from the pension fund auditors. We will detail our conclusions in a Follow Up letter once the required assurances have been obtained. |

| | |
|--|--|
| Valuation of Dwellings, Land & Buildings and Investment Property | Description of the risk The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment 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 significant risk in this area. |
| | How we addressed this risk As part of our testing we will be testing the valuations performed over dwellings held by Rykneld Homes Limited We have: <ul style="list-style-type: none">• Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;• Considered whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;• Assessed whether valuation movement are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends;• Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and• Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuer |
| | Audit conclusion Subject to conclusion of the work as detailed in section 2 we have no matters to report. |

4. Significant findings

Enhanced Risk

| | |
|----------------|---|
| Group accounts | <div data-bbox="264 391 1116 721">Description of the management judgement<p>Group consolidation requires significant adjustments to ensure all components are accounted for on the same basis. In the prior year material adjustments were made to the group accounts due errors in the consolidation adjustments (council dwellings incorrectly recognised in group accounts at historical cost).</p><p>Group accounting also requires management to make significant judgements. The Council has a joint venture in Northwood Developments Limited. This is being accounted for as an available-for-sale financial asset and the component is not consolidated into the group accounts are not being prepared based on materiality.</p></div> <div data-bbox="264 728 1116 996">How our audit addressed this area of management judgement<p>We have:</p><ul style="list-style-type: none">• Reviewed the adjustment journals performed by the council for group consolidation.• Reviewed adjustments made to component financial data to ensure it is in line with group accounting policies.• Reviewed management judgements on Northwood Developments Limited.</div> <div data-bbox="264 1003 1116 1138">Audit conclusion<p>At time of this report our work is ongoing in this section as detailed in section 2.</p></div> |
|----------------|---|

4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022,

Draft accounts were received from the Council on 30 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management

Treatment of Agency Grants

The Code stipulates that an authority is acting as an agent in situations or circumstances “where the authority is acting as an intermediary”. It is acting as a principal in situations or circumstances “where the authority is acting on its own behalf”. Our testing identified the council had received a grant from Government where the arrangement meant it was acting as an intermediary and, therefore, an agent. This grant was recorded in the council’s accounts as if the council were the principal. This treatment resulted in overstatement in both income and expenditure in the Comprehensive Income and Expenditure Statement. This misstatement has been corrected by management. Further detail is provided in section 6.

Reinforced Autoclaved Aerated Concrete (RAAC)

Safety concerns relating to the use of RAAC have been widely reported and local authorities have been required to assess their asset portfolio. We have considered the Council’s response to the RAAC issue and considered its conclusion that there was no requirement for a provision or impairment in its 2022/23 accounts. We have considered the Council’s assessment and consider it appropriate, based on the information provided by management.

Movements in accounts

Capital commitments - Management had disclosed an immaterial value of £0.2m as the council’s capital commitments. We subsequently made enquiries regarding the completeness of this note based on the fact that the council has material construction projects that are incomplete, and it would be expected that contracts are in place for completion, therefore capital commitments would exist.

Reclassification in PPE note - Another enquiry was made to management regarding the reclassification line in the PPE note which had a balance of £4.1m as based on the nature of the line this would ordinarily net to zero, unless a suitable explanation exists.

For both these queries, management has made changes to the accounts which have not been reviewed by the audit team to confirm correctness. The changes are as follows:

Capital commitments have increased to £23.1m

The reclassification line has been reduced by £3.3m in the PPE note and as a result the additions in the same note have been adjusted by this value.

These adjustments will be reported in the Follow up letter once the audit team is satisfied with the validity and accuracy of the changes made by management.

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.

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;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 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.

05

Section 05: **Internal control recommendations**

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to audit committee any significant deficiencies identified during the course of our work.

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported 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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking | Description | Number of issues |
|------------------|--|------------------|
| 1 (high) | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0 |
| 2 (medium) | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future. | 1 |
| 3 (low) | In our view, internal control should be strengthened in these additional areas when practicable. | 0 |

5. Internal control recommendations

Significant deficiencies in internal control – Level 2

Description of deficiency - Members have not completed declaration of interest

As part of our testing of related party disclosures in the accounts, we reviewed declaration forms completed by members and officers. Through this testing we noted that 19 members had not completed these forms.

Potential effects

Related party transactions could go undetected which may result in disclosure misstatements in the accounts.

Recommendation

All members should complete declaration of interest forms.

Management response

We recognise that related party disclosures were not returned by all elected members. The related party disclosures were issued to all elected members on 31 March and being conscious that there was a local election in May, we issued three subsequent reminders during April. A large proportion of those which have not been returned are from elected members who were subsequently not elected. We will review our processes in this regard ahead of the 2023/24 close down.

5. Internal control recommendations

Follow up on previous internal control points

Completeness of Accruals - Level 2

Description of deficiency

During the prior year audit, we identified capital expenditure that had not been correctly accrued at the end of 2021/22.

We have discussed this with management and who applied an internal close down deadline of 14 April, where no accruals are accepted post this date.

Potential effects

Material accruals could be undetected resulting in material misstatements in the accounts.

Recommendation

Management should explore further controls to ensure that all significant accruals are recorded by year end. This could, for example, be in the form of a circularisation to all budget holders before the financial statements are completed.

Management response

No issues relating to this have been raised for 2022/23 to date

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £50k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

Management has adjusted all misstatements raised to date.

6. Summary of misstatements

Adjusted misstatements

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|--|-----------------------------------|--|------------|---------------|------------|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Income | 6,340 | | | |
| | Cr: Expenditure | | 6,340 | | |
| Two grants were recognised as income and expenditure in the Comprehensive Income and Expenditure Statement (CIES). On further review these grants should have been accounted on an agent basis and therefore not been taken through the CIES. The accounts have been amended to remove income and expenditure with these grants. | | | | | |
| 2 | Dr: Property, Plant and Equipment | | | 137 | |
| | Cr: Revaluation Reserve | | | | 137 |
| Our testing of property valuation identified an error in the rental date used in the valuation. The error of £0.123m was extrapolated over the population tested and generated a potential error of £0.137m. This is above triviality and is therefore reported. | | | | | |
| Total adjusted misstatements | | 6,340 | 6,340 | 137 | 137 |

6. Summary of misstatements

Disclosure amendments

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

- **Note 7, Grant Income:** The disclosure was updated to include omitted and match the grants disclosed in note 9 and the primary statement (CIES)
- **Note 20, Creditors:** the note was updated to correct an error in the central and other local government bodies' creditors balances. This had no change in the total creditors balance .
- **Note 36, Related Parties:** The council had omitted to disclose an arms length transaction of £78k between the council and a member.

07

Section 07:

Value for money arrangements

7. Value for money arrangements

Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

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

To date no significant risks of a weaknesses have been identified.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within three months of signing the audit report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in within three months of signing the audit report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
The Corner,
Newcastle,
NE1 1DF

Dear Sirs

North East Derbyshire District Council, including group - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of North East Derbyshire District Council (the Council), including the group, for the year ended 31 March 2023 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 2022/23 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance 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 the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

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

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

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 or 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.

Appendix A: Draft management representation letter

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Director of Finance and Resources 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 or 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 or 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 to you in accordance with the requirements of the Code and applicable law.

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date.

Reinforced Autoclaved Aerated Concrete

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council and group, and in particular whether there are indications of a need for an impairment of the Council's or group's property, plant and equipment balances. I confirm there are no such indications of impairment in those assets.

Charges on assets

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

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.

Brexit

I confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Ukraine

I confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Account fairly reflects that assessment.

Banking crisis

I confirm that we have assessed the impact on North East Derbyshire District Council and Group of the on-going Global Banking challenges, in particular whether there is any impact on the Council's or Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Appendix A: Draft management representation letter

Going concern

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

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements and internal control recommendations

I confirm that the effects of the uncorrected misstatements and internal control recommendations set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Finance and Resources

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

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 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statement(s), the Council and Group Balance Sheet(s), the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement in the HRA Statement and Collection Fund 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 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 2022/23 as amended by the Code Update.

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

In auditing the financial statements, we have concluded that the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance and Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Appendix B: Draft audit report

Responsibilities of the Director of Finance and Resources for the financial statements

As explained more fully in the Statement of Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and Resources is also responsible for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989] and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Scrutiny Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Scrutiny Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

Appendix B: Draft audit report

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Scrutiny Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception.

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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.

Appendix B: Draft audit report

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

[Signature]

James Collins, Key Audit Partner
For and on behalf of Mazars LLP



The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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.

Appendix D: Other communications

| Other communication | | Response |
|--|--|--|
|  Compliance with Laws and Regulations | | We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified. |
| | | We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed. |
|  External confirmations | | We did not experience any issues with respect to obtaining external confirmations. |
|  Related parties | | We did identify some omission in relating to the audit of related parties. This has been documented in section 6 of the audit file. |
| | | We will obtain written representations from management confirming that: |
| | | <div> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and </div> <div> b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework. </div> |
|  Going concern | | <div> We have not identified any evidence to cause us to disagree with the Director of Finance and Resources that North East Derbyshire District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. </div> <div> We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements. </div> |

Appendix D: Other communications

| Other communication | | Response |
|---|--------------------------|--|
|  | Subsequent events | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p> |
|  | Matters related to fraud | <p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit Committee, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. |

James Collins

Mazars

The Corner
Newcastle
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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North East Derbyshire District Council

Audit Committee

4th December 2023

Internal Audit Consortium Annual Report 2022/23

Report of the Head of the Internal Audit Consortium

Classification: This report is public

Report By: Jenny Williams: Head of the Internal Audit Consortium

Contact Officer: Jenny.Williams@ne-derbyshire.gov.uk

PURPOSE / SUMMARY

The purpose of this report is to: -

- Present a summary of the internal audit work undertaken during 2022/23 from which the opinion on governance, risk and internal control is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements 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 undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics.
- 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.

RECOMMENDATION

1. That the Internal Audit Consortium Annual Report for 2022/23 be accepted.
-

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

Regular audit reviews help to ensure that risk is managed appropriately. Internal audit makes recommendations to reduce the level of risk and improve the control environment.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☒ No ☐

Details:

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

| | |
|--|---------------------|
| 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: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

| |
|--|
| Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications. |
| Internal audit reviews help to ensure that the Council is continually improving services to deliver excellence and value for money. |

REPORT DETAILS

1 Background

- 1.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

2. Details of Proposal or Information

- 2.1 Staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2022/23 internal audit plan. However, enough of the internal audit plan (along with reliance on other assurances) has been completed to be able to give an unlimited audit opinion in respect of the 2022/23 financial year.

SUMMARY OF WORK UNDERTAKEN

- 2.2 Appendix 1 details the audit reports issued in respect of audits included in the 2022/23 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows:

| Assurance Level | 2021/22 Number | 2021/22 % | 2022/23 Number | 2022/23 % |
|------------------------|-----------------------|------------------|-----------------------|------------------|
| Substantial | 11 | 68 | 9 | 60 |
| Reasonable | 7 | 32 | 6 | 10 |
| Limited | 0 | 0 | 0 | 0 |
| Inadequate | 0 | 0 | 0 | 0 |
| Total | 18 | 100 | 15 | 100 |

- 2.3 A definition of the above assurance levels is shown at the bottom of Appendix 1.
- 2.4 No fraud was identified.
- 2.5 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

| Description | 2022/23 | | 2023/24 |
|---|----------------------------|---------------|----------------|
| | Plan | Actual | Plan |
| Cost per Audit Day | £310 | £283 | £343 |
| Percentage of Plan Completed (NEDDC and Rykneld Homes) | 75% | 71% | 75% |
| Sickness Absence (Average Days per Employee) | 8.0 (Corporate Trigger) | 10.0 | 8.0 |
| Customer Satisfaction Score (NEDDC) | 85% | 97% | 85% |
| To issue internal audit reports within 10 days of the close out meeting | 90% | 100% | 90% |

| | | | |
|--|------|------|------|
| Quarterly reporting to Audit and Corporate Governance Scrutiny Committee | 100% | 100% | 100% |
|--|------|------|------|

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

- 2.6 The Head of the Internal Audit Consortium is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 2.7 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 2022/23.
- 2.8 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 2.9 As well as internal audit work assurance has also been gained from previous years' work, the work of the risk management group, PSN compliance, external audit and compliance with the Code of Corporate Governance.
- 2.10 Overall, 100% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 2.11 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations have been considered during the preparation of the Annual Governance Statement. There have been no issues directly arising from internal audit work that require raising in the Annual Governance Statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 2.12 The Internal Audit Plan for 2022/23 was approved by the Audit and Corporate Governance Scrutiny Committee on the 11th of May 2022. The majority of audits have been completed with the remaining audits being scheduled into the 2023/24 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS / CODE OF ETHICS AND OTHER QUALITY ASSURANCE RESULTS

- 2.13 Quality control procedures have been established within the Internal Audit Consortium and these are documented in the Quality and Assurance Improvement Programme at Appendix 3. These procedures are designed to ensure compliance with the PSIAS and Code of Ethics.

ORGANISATIONAL INDEPENDENCE

- 2.14 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources but has a direct and unrestricted access to the Managing Director and the Audit and Corporate Governance Scrutiny Committee (now Audit Committee).

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

- 2.15 The Audit Charter was last reported to and approved by the Audit and Corporate Governance Scrutiny Committee in September 2022.
- 2.16 Based on the information provided in this report on the completion of the 2022/23 internal audit plan, it is considered that the requirements of the Charter were met during the year.

3 Reasons for Recommendation

- 3.1 To present to Members the annual report for the Internal Audit Consortium in respect of North East Derbyshire District Council for 2022/23.
- 3.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 3.3 To provide an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements including any qualifications to that opinion.

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

DOCUMENT INFORMATION

| Appendix No | Title |
|--------------------|--|
| Appendix 1 | Internal Audit Reports Issued 2022/23. |
| Appendix 2 | Comparison of Completed Work to Planned Work |
| Appendix 3 | Quality Assurance Improvement Plan |

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 you must provide copies of the background papers)

**North East Derbyshire District Council – Internal Audit
Reports Issued 2022/23**

| Ref | Report Title | Assurance Level 2022/23 | Opinion Previous Audit |
|------------|---|--------------------------------|-------------------------------|
| 1 | Insurance | Substantial | Substantial |
| 2 | Leisure Financials | Substantial | Substantial |
| 3 | Food Hygiene | Reasonable | Reasonable |
| 4 | Compliance with CIPFA Financial Management Code | Substantial | Substantial |
| 5 | Planning Fees | Substantial | Substantial |
| 6 | Recruitment and Selection | Reasonable | Reasonable |
| 7 | Council Tax | Substantial | Substantial |
| 8 | Cash and Bank | Substantial | Substantial |
| 9 | Sundry Debtors | Reasonable | Reasonable |
| 10 | Cemeteries | Substantial | Substantial |
| 11 | NNDR | Substantial | Substantial |
| 12 | Committee Processes | Substantial | New |
| 13 | Data Protection | Reasonable | Substantial |
| 14 | Network Security | Reasonable | Reasonable |
| 15 | Taxi Licensing Arrangements | Reasonable | Substantial |

| 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 Internal Audit Plan 2022/23

| |
|-----------|
| Completed |
| Deferred |

| | Main Financial Systems | 2022/23 Days |
|--|--|-------------------------|
| | CIPFA Fin Management Code | 12 |
| | Debtors | 15 |
| | Cash and Bank | 18 |
| | Council Tax | 20 |
| | NNDR | 10 |
| | Housing Benefits | 18 |
| | | |
| | Total Main Financial Systems | 93 |
| | | |
| | Corporate / Cross Cutting | 2022/23 |
| | | |
| | Corporate Governance / Assurance Statement | 2 |
| | Financial advice / working groups | 20 |
| | | |
| | Total Cross Cutting | 22 |
| | | |
| | Other Operational Audits | |
| | | |
| | Committee Processes | 12 |
| | Data Protection | 12 |
| | Recruitment and Selection | 12 |
| | Sickness Absence / Wellbeing | 12 |
| | Taxi Licensing | 12 |
| | Insurance | 10 |
| | Petty cash / year end floats | 5 |
| | Leisure Financial | 15 |
| | Killamarsh Leisure Centre | 15 |
| | Food Hygiene | 12 |

| | | |
|--|--|------------|
| | Planning fees | 10 |
| | Final Accounts (contractors) | 4 |
| | Industrial Property Rents / Periodic Income | 15 |
| | Clay Cross Town Deal | 10 |
| | Transport / Vehicles / Fuel / Cemeteries - substituted | 13 |
| | | |
| | Total Operational Areas | 169 |
| | | |
| | IT Related | |
| | | |
| | Cyber / network security / DR | 15 |
| | | |
| | Total IT | 15 |
| | | |
| | Rykneld Homes | 97 |
| | | |
| | National Fraud Initiative | 5 |
| | Special Investigations / Contingency/ emerging risks | 40 |
| | Apprenticeships / training | 30 |
| | Audit Committee / Client Liaison | 15 |
| | | |
| | Grand Total | 486 |

Internal Audit Consortium

Quality Assurance and Improvement Programme (QAIP)



Introduction

The Public Sector Internal Audit Standards require that the Head of Internal Audit develops and maintains an improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement programme must include both internal and external assessments.

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

This QAIP covers: -

- 1) Internal Assessments
- 2) External Assessments
- 3) Staff qualifications / experience
- 4) Training
- 5) Other elements

1) Internal Assessments

Internal assessments consist of the following: -

- An annual assessment against the Public Sector Internal Audit Standards by the Head of the Internal Audit Consortium. This was undertaken in May 2023 and the review confirmed that there were no significant areas of non-compliance.
- Reviews of working papers – All audit working papers are reviewed by the Head of Internal Audit or a Senior Auditor to ensure that they meet required standards and support the findings of the review. These reviews are documented.
- Review of audit reports – The Head of Internal Audit reviews all reports for quality and consistency before they are formally issued.

- Key performance indicators – these are reported to each Audit Committee in the annual report.
- Customer feedback – Customer satisfaction surveys are issued with every report and the results monitored. Based on the customer satisfaction survey forms returned (8 for NEDDC), the average score was 97% for customer satisfaction during 2022/23.
- The client Officer annual satisfaction survey resulted in a score of 97%.
- All staff completed a declaration of personal interests statement in September 2022

2) External Assessments

An external review of internal audit took place in May 2021 the results of which concluded “Current services are assessed to “generally conform” with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards”.

The results of the external assessment were fully reported to each Audit Committee and to the Joint Board.

An action plan was developed from the points arising in the 2021 external review and has been used to further drive improvement.

3) Audit Staff qualifications / experience

The table below summarises the qualifications and experience of the Internal Audit Consortium staff as at May 2023.

| <u>Post</u> | <u>Qualification</u> | <u>Experience</u> |
|------------------------|-----------------------------|--------------------------------------|
| | | |
| Head of Internal Audit | CIPFA | 25 plus years |
| Senior Auditor | - | 15 years |
| Senior Auditor | CIPFA | 25 plus years |
| Senior Auditor | AAT | 25 plus years |
| Auditor | AAT / studying for IIA | 8 years |
| Auditor | AAT | 1 year |
| Auditor | | 7 months |
| Auditor | AAT | 25 plus years |
| Auditor | | 4 years |
| Auditor | | Starting 30 th October 23 |

Training Undertaken in 2022/23

Training records are maintained to monitor both professional and ad hoc training received by staff.

Training is delivered via webinars, team meetings, professional journals etc. All staff undertake CPD.

During 2022/23 training included: -

- Introduction to internal audit (new Auditors)
- Fraud webinars
- Levelling up
- Accident and investigation
- Climate change
- Valuing individuals and performance
- Stress and absence management

Other Elements

- A spreadsheet is populated by members of the audit team with ideas for improvement. The ideas are discussed at team meetings and actions agreed accordingly.
- Performance Development Reviews – All staff had a performance development review. These reviews set and monitor the achievement of objectives and identify any training requirements.
- 1:1's – All staff have 1:1 meetings with their manager at least monthly.
- The Internal Audit Manual is a comprehensive record of audit procedures and requirements and is updated at least every 2 years.
- Declarations of Business Interest – Staff are required to complete a declaration of business interests form on an annual basis and cannot undertake audits where there is a potential conflict of interest.
- Team meetings – Monthly team meetings are held which discuss points of practice, audit findings, information sharing and include elements of training and brainstorming.

North East Derbyshire District Council

Audit Committee

4th December 2023

Implementation of Internal Audit Recommendations

Report of the Head of the Internal Audit Consortium

Classification: This report is public

Report By: Head of the Internal Audit Consortium

Contact Officer: Jenny.williams@ne-derbyshire.gov.uk

PURPOSE / SUMMARY

To present, for members' information, a summary of the internal audit recommendations made, implemented and outstanding for the financial years 2020/21 to date.

RECOMMENDATION

1. That the report be noted.

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

The implementation of internal audit recommendations helps to ensure that there are effective controls in place to reduce the risk of fraud and error.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

DECISION INFORMATION

| | |
|--|---------------------|
| 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: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: |

Links to Council Plan (NED) priorities, including Climate Change, Equalities, and Economics and Health implications.

The implementation of Internal audit recommendations helps to ensure that the Council is continuously improving to deliver excellence and value for money.

REPORT DETAILS

1 Background

- 1.1 Internal Audit make recommendations to improve the governance, risk and control processes in place. It is important to monitor the implementation of these recommendations to improve the control environment and to reduce the risk of fraud and error.

2. Details of Proposal or Information

- 2.1 This report is to inform Members of the Audit Committee of the internal audit recommendations made and the progress in respect of implementing them.
- 2.2 Appendix 1 provides an analysis of the number of recommendations made and implemented for the financial years 2020/21 to date. The table also summarises the number of recommendations that have been implemented and those that are outstanding. Below this the table details every outstanding recommendation.
- 2.3 No high priority recommendations are outstanding. In total there are 6 recommendations outstanding 2 with medium priority and 4 with low priority. The position continues to improve with a large number of recommendations having been implemented.

3 Reasons for Recommendation

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

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

DOCUMENT INFORMATION

| Appendix No | Title |
|---|---|
| 1 | Summary of Internal Audit Recommendations Made, Implemented and outstanding |
| | |
| | |
| 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 you must provide copies of the background papers) | |
| | |

North East Derbyshire District Council

Summary of Internal Audit Recommendations made and implemented 2020/21 – 2023/24 (as at Mid November 2023)

| Recommendations Made | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|----------------|----------------|----------------|----------------|
| Number of High Priority | 0 | 0 | 0 | 0 |
| Number of Medium Priority | 21 | 19 | 11 | 9 |
| Number of Low priority | 33 | 29 | 24 | 15 |
| Total | 54 | 48 | 35 | 24 |
| Recommendations Implemented | 53 | 41 | 20 | 10 |
| High Recommendations Outstanding | 0 | 0 | 0 | 0 |
| Medium Recommendations Outstanding | 0 | 0 | 2 | 0 |
| Low Recommendations Outstanding | 1 | 1 | 2 | 0 |
| Not overdue yet | 0 | 6 | 11 | 14 |
| Total Overdue Recommendations | 1 | 1 | 4 | 0 |
| Percentage due implemented or carried fwd to next audit | 98% | 98% | 83% | 100% |

North East Derbyshire

2020/21

| Report | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not | Overdue | Implemented |
|--------------|-----------------------------|---------------------|------------|--------------------------|--------|-----|-------|---------|---------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| N015 | Laptops and Removable Media | Corporate Resources | Reasonable | | 2 | 4 | 6 | | 1L | 5 |
| | | | | | | | | | | |
| Total | | | | 0 | 2 | 4 | 6 | | 1 | 5 |

2021/22

| Report | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not | Overdue | Implemented |
|--------------|------------------------|----------------|-------------|--------------------------|--------|-----|-------|---------|---------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| N009 | Disaster Recovery | Transformation | Substantial | | | 3 | 3 | | 1L | 2 |
| N018 | Digital Transformation | Operations | Reasonable | | 3 | 3 | 6 | 6 | | |
| Total | | | | | 3 | 6 | 9 | 6 | 1 | 2 |

2022/23

| Report Ref | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not | Overdue | Implemented |
|---------------|--------------------------------|---------------------------|-------------|-----------------------------|--------|-----|-------|---------|---------|-------------|
| | | | | High | Medium | Low | | Overdue | | |
| N003 | Food Hygiene | Organisation and Place | Reasonable | | 2 | 5 | 7 | 3 | | 4 |
| N006 | Recruitment & Selection | Organisation & Place | Reasonable | | 1 | 1 | 2 | | 1L | 1 |
| N009 | Sundry Debtors | Finance & Resources | Reasonable | | 1 | 1 | 2 | 2 | | |
| N010 | Cemeteries | Organisation & Place | Substantial | | | 2 | 2 | | 1L | 1 |
| N014 | Network Security | Finance & Resources | Reasonable | | 4 | | 4 | 1 | 2M | 1 |
| N015 | Taxi Licensing Arrangements | Organisation & Place | Reasonable | | 1 | 4 | 5 | 5 | | |
| | | | | | | | | | | |
| Total | | | | | 9 | 13 | 22 | 11 | 4 | 7 |

2023/24

| Report Ref | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not Overdue | Overdue | Implemented |
|--------------|--------------------------------|----------------------|-------------|--------------------------|----------|-----------|-----------|-------------|---------|-------------|
| | | | | High | Medium | Low | | | | |
| N001 | Sickness Absence Management | Organisation & Place | Substantial | | | 1 | 1 | 1 | | |
| N002 | Commercial Waste | Organisation & Place | Reasonable | | | | 0 | | | 0 |
| N003 | Facilities Compliance | Growth & Assets | Reasonable | | 2 | | 2 | 1 | | 1 |
| N004 | Land Charges | Organisation & Place | Reasonable | | | 4 | 4 | 4 | | |
| N005 | Clay Cross Town Deal | Growth & Assets | Substantial | | | 2 | 2 | 2 | | |
| N006 | Pollution Prevention & Control | Organisation & Place | Limited | | 4 | 6 | 10 | 3 | | 7 |
| N007 | Treasury Management | Finance & Resources | Substantial | | | 2 | 2 | | | 2 |
| N008 | Members IT Equipment | Finance & Resources | Reasonable | | 3 | | 3 | 3 | | |
| | | | | | | | | | | |
| Total | | | | | 9 | 15 | 24 | 14 | | 10 |

NEDDC Outstanding Recommendations as at Mid November 2023

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--|--|---|--|
| Laptops and Removable Media – March 21 | As part of its next review, the Joint Information Security Policy should be examined and updated where appropriate to reflect any lessons learned from the effects of the rapid move to home working experienced during the Covid-19 pandemic. | Low January 2022 Revised target date End December 2023 | Information Security Policy being re-written for approval End December 2023. |
| IT Disaster Recovery – November 2021 | It would be beneficial to complete internal phishing exercises on an annual basis across all 3 authorities to increase awareness of threats within the authorities | Low December 2022 | Reduced resources has made this difficult and priorities diverted to other cyber related mitigation tasks. However phishing training was distributed in June to all Staff and members with real examples highlighted. Currently investigating use of additional tools provided with M365 suit, however this may take some time to implement. |
| Recruitment and Selection – October 2022 | The Recruitment & Selection Policy should be reviewed and updated. Consideration should be given to if a joint NEDDC/BDC policy is still appropriate. | Low June 2023 Revised target date June 2024 | A review of all policies is taking place at NEDDC. Recruitment and Selection is due to be reviewed and refreshed with the next 6 to 9 months. |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------------|---|--|--|
| Cemeteries – November 2022 | Extensions to the management agreement / contract between NEDDC and Clay Cross Parish Council for the management of Danesmoor Cemetery should be signed and agreed by both parties. | Low 31 st March 2023 Revised target date End November 2023 | Revised price and contract being discussed currently with Clerk at Clay Cross Parish Council. To be completed End of November. |
| Network Security – May 2023 | It is essential that all policies and strategies are reviewed, updated and approved on a timely basis. Once approved the policies should be published on the Joint ICT Intranet site. | Medium End October 2021 Revised target date December 2023 | Re-write in progress for approval. Policy area under s Drive. Target end December 2023. |
| Network Security – May 2023 | ICT should consider the development of an I-Cloud Policy for NEDDC and BDC and include this on the Council's Joint ICT Intranet Site. | Medium End March 2022 Revised target date December 2023 | Re-write in progress for approval. Policy area under s Drive. Target end December 2023. |

North East Derbyshire District Council

Audit Committee

4 December 2023

Treasury Management Update

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director - Finance and Resources
(S151 Officer)

Contact Officer: as above

PURPOSE/SUMMARY

To provide a Treasury Management update to the Audit Committee

RECOMMENDATIONS

1. That the Audit Committee note the report and comment as appropriate.

IMPLICATIONS

Finance and Risk

Yes ✓

No

Financial Implications are considered throughout the report. Consideration of financial risk is part of the decision making process when borrowing and investing the Council's funds.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes

No ✓

There are no legal issues arising directly from the report. Having a Treasury Management Strategy in place complies with the requirements of the Local Government Act 2003 and updated advice and guidance from the Government and CIPFA

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

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

REPORT DETAILS

- 1.1 Each year the Audit Committee review the Treasury Management suite of Strategies ahead of their approval by Council. In addition, half yearly updates are provided to Council and the most recent update was presented on 27 November. A copy of this report can be found at **Appendix 1**.
- 1.2 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's daily cash position and the management of its long-term debt. All transactions are conducted in accordance with the Council's approved strategy and the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code). Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.3 Treasury Management is a specialist area and the Council uses external treasury advisors, Arlingclose Ltd, to assist. They provide assurance that the Council's strategies

are fit for purpose and also provide advice in respect of treasury decisions. Arlingclose are also invited to address the Audit Committee each year.

- 1.4 At its meeting of 3 July, the Committee asked for a review of the current treasury management strategy in relation to investments to assess the range of investment opportunities available. This review has now been undertaken and is reported below.
- 1.5 The current strategy conforms with the CIPFA Code, a full copy of the current strategy is appended to this report at **Appendix 2** for information. A key point to note is that the Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments **before** seeking the highest rate of return, or yield. Therefore, the Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. This has been challenging in recent years as the investment market has been volatile and unpredictable.
- 1.6 The Council has an approved list of investment counterparties. Each has a limit and the sector also has a limit. The list provides a wide range of investment opportunities whilst still ensuring the primary objective of security and liquidity is met. The table below shows the list of approved counterparties:

| Sector | Time limit | Counterparty limit | Sector limit | Amount currently Invested |
|---|------------|--------------------|--------------|---------------------------|
| The UK Government | 50 years | Unlimited | none | 0 |
| Local authorities & other government entities | 25 years | £5m | Unlimited | 10m |
| Secured investments | 25 years | £5m | Unlimited | 0 |
| Banks (unsecured) | 13 months | £5m | Unlimited | 0 |
| Building societies (unsecured) | 13 months | £5m | £20m | 0 |
| Registered providers (unsecured) | 5 years | £5m | £20m | 5m |
| Money market funds | n/a | £5m | Unlimited | 13.5m |
| Strategic pooled funds | n/a | £5m | £20m | 0 |
| Real estate investment trusts | n/a | £5m | £20m | 0 |
| Other investments | 5 years | £5m | £20m | 0 |

- 1.7 The final column shows the amount the Council currently has invested with each counterparty. This varies on a regular basis and short-term investments are frequently moved to track the best interest rate deals at any given time. In recent years the Council has diversified, investing with registered providers, the UK Government, local authorities,

and money market funds on a regular basis. The Council has also increased duration of loans and now has several >1-year investments with local authorities and registered providers. The current yield on our treasury management investments is 4.14% (2022/23 2.39%).

- 1.8 The Council also has a number of long-term investments in the form of service loans. This includes loans to Rykneld Homes Ltd to allow development of social housing. It also includes a loan to Northwood Group Ltd for a mixed tenure housing development scheme in the district.
- 1.7 Service loans have a better yield than treasury management investments but are considerably higher risk. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due and provision for non payment has to be made in respect of these loans.
- 1.8 The table below shows the current rate of return of all investments:

| Investments net rate of return | £m |
|--|-----------|
| Treasury management investments | 4.14% |
| Service investments: Loans – Rykneld Homes Ltd | 3.52% |
| Service investments: Loans – Northwood Group Ltd | 5.09% |

- 1.9 In conclusion, the Council's current strategy represents an appropriate balance between risk management and cost effectiveness and provides scope for a wide range of investments. The Council has widened its investment portfolio in recent years (see 1.7 above) and the strategy provides sufficient scope to further widen as resources allow. The Council has for several years been a net investor with surplus cash to invest. However, with an ambitious capital programme, including the Clay Cross Active leisure facility and two social housing regeneration schemes, it is likely that the Council will have less cash to invest for treasury management purposes in the medium term.

2 Reasons for Recommendation

- 2.1 To update the Committee on the current strategy for treasury management investing

3 Alternative Options and Reasons for Rejection

- 3.1 There are no alternative options being considered at this time.

DOCUMENT INFORMATION

| Appendix No | Title |
|--------------------|---|
| 1 | Treasury Management Activity April – September 2023 |

| | |
|--|--|
| 2 | Treasury Management Suite of Strategies 2023/24 – 2026/27 |
| Background Papers | |
| | |
| Report Author | Contact Number |
| Jayne Dethick – Director - Finance and Resources (S151 Officer) | (01246) 217078 |

North East Derbyshire District Council

Council

27 November 2023

Treasury Management Update

Report of the Portfolio Holder with Responsibility for Finance

Classification: This report is public

Report By: Jayne Dethick, Director - Finance and Resources
(S151 Officer)

Contact Officer: as above

PURPOSE/SUMMARY

To update Council on the treasury management activities for the period April to September 2023.

RECOMMENDATIONS

1. That Council note the treasury management activities undertaken during the period April to September 2023 as outlined in Appendix 1.

Approved by the Portfolio Holder – Yes

IMPLICATIONS

Finance and Risk

Yes ✓

No

Financial Implications are considered throughout the report. Consideration of financial risk is part of the decision making process when borrowing and investing the Council's funds.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes

No ✓

There are no legal issues arising directly from the report. Having a Treasury Management Strategy in place complies with the requirements of the Local Government Act 2003 and updated advice and guidance from the Government and CIPFA

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

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

REPORT DETAILS

- 1.1 In January 2023, the Council approved 2023/24 Treasury Management Strategy including adoption of the updated Chartered Institute of Public Finance and Accountancy's amended *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code). The Code requires local authorities to approve treasury management semi-annual and annual outturn reports. This is a practice that the Council has followed for many years so no additional compliance is required in this respect. The Code also now requires that monitoring of prudential indicators be included as part of the reporting process. Prudential Indicators are a means of demonstrating that capital expenditure plans are affordable to aid decision making.
- 1.2 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's daily cash position and the

management of its long-term debt. All transactions are conducted in accordance with the Council's approved strategy and the Code. Good treasury management plays an important role in the sound financial management of the Council's resources.

- 1.3 **Appendix 1** identifies the Treasury Management activity undertaken in the period April - September 2023. **Appendix 2** identifies the impact on the Prudential Indicators from the treasury management activity in the first half of the financial year.
- 1.4 Treasury Management is a specialist area and the Council uses external treasury advisors, Arlingclose Ltd, to assist. They provide a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports.
 - Economic and interest rate analysis.
 - Debt services which include advice on the timing of borrowing.
 - Debt rescheduling advice surrounding the existing portfolio.
 - Generic investment advice on interest rates, timing, and investment instruments.
 - Several places at training events offered on a regular basis.
 - Credit ratings/market information service comprising the three main credit rating agencies.

2 Reasons for Recommendation

- 2.1 The report details the treasury management activities for the period April to September 2023 in line with the CIPFA Treasury Management Code of Practice

3 Alternative Options and Reasons for Rejection

- 3.1 There are no alternative options being considered at this time.

DOCUMENT INFORMATION

| Appendix No | Title |
|--|---|
| 1 | Treasury Management Activity April – September 2023 |
| Background Papers | |
| | |
| Report Author | Contact Number |
| Jayne Dethick – Director - Finance and Resources (S151 Officer) | (01246) 217078 |

Introduction

In January 2023, the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, treasury management semi-annual and annual outturn reports.

There is also a new requirement in the Code, which became mandatory from 1st April 2023, of quarterly reporting of the treasury management indicators and the prudential indicators. This takes place with budget monitoring each quarter to Cabinet.

The Council's treasury management strategy for 2023/24 was approved at a meeting on 30th January 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

External Context

Economic background:

UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets:

Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review:

Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local Context

On 31st March 2023, the Council had net borrowing of £26m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

| | 31.3.23 | 31.3.24 |
|-------------------------------|----------------|-----------------|
| | Actual | Forecast |
| | £m | £m |
| General Fund CFR | 20.9 | 25.8 |
| HRA CFR | 171.3 | 181.7 |
| Total CFR | 192.2 | 207.5 |
| Less: *Other debt liabilities | 0 | (0.2) |
| Borrowing CFR | 192.2 | 207.3 |
| External borrowing** | (146.9) | (150.8) |
| Internal borrowing | 45.3 | 56.5 |
| Less: Balance sheet resources | (71.3) | (68.2) |
| Net | 26.0 | 11.7 |

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

** shows only loans to which the Council is committed and excludes optional refinancing

The treasury management position at 30th September and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

| | 31.3.23 Balance £m | Movement £m | 30.9.23 Balance £m |
|----------------------------|-----------------------------------|------------------------|-----------------------------------|
| Long Term Borrowing – PWLB | 146.9 | (4.0) | 142.9 |
| Total Borrowing | 146.9 | (4.0) | 142.9 |
| Short-Term Investments | (26.0) | (2.5) | (28.5) |
| Total Investments | (26.0) | (2.5) | (28.5) |
| Net Borrowing | 120.9 | (6.5) | 114.4 |

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

Borrowing strategy and activity

As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank rate was 2% higher than at the end of September 2022.

UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's £2m loans relating to the HRA maturing during this time frame.

At 30th September the Council held £142.875m of loans, (a slightly lower figure than at 31st March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans at this point are summarised in Table 3A below.

Table 3A: Borrowing Position

| PWLB Borrowing | Maturity Profile | Maturity Profile |
|------------------------|-------------------------|-------------------------|
| Term | 31 March 2023 | 30 Sept 2023 |
| £'000 | £'000 | £'000 |
| 12 Months | 4,112 | 66 |
| 1 - 2 years | 6,109 | 6,109 |
| 2 - 5 years | 15,191 | 15,191 |
| 5 - 10 years | 24,419 | 24,419 |
| 10 - 15 years | 42,000 | 42,000 |
| Over 15 years | 55,090 | 55,090 |
| Total PWLB Debt | 146,921 | 142,875 |

The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short-term and long-term borrowing was maintained.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as investments which arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £20.5 and £37.5 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

| Bank Name | Duration of Loan | B/Fwd | Amount | Amount | Balance | Interest |
|------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 01/04/23 | Invested | Returned | Invested | Received |

| | | £000's | 2023/24 £000's | 2023/24 £000's | 30/09/23 £000's | 30/09/23 £000's |
|--|------------|---------------|-------------------|-------------------|--------------------|--------------------|
| Federated Fund 3 | Call | 3,000 | 1,070 | (1,070) | 3,000 | (70) |
| Federated GBP 3 | Call | 2,000 | 50 | (50) | 2,000 | (50) |
| Aberdeen Standard | Call | 1,000 | 11,084 | (11,084) | 1,000 | (84) |
| CCLA Public Sector Deposit Fund | 1 Day Call | 5,000 | 94 | (5,094) | 0 | (94) |
| Aviva | Call | 1,500 | 3,612 | (112) | 5,000 | (112) |
| Invesco | Call | 0 | 9,068 | (4,068) | 5,000 | (68) |
| JP Morgan | Call | 0 | 3,003 | (3,003) | 0 | (3) |
| Goldman Sachs | Call | 0 | 6,513 | (4,013) | 2,500 | (13) |
| SSGA | Call | 3,500 | 7,022 | (10,522) | 0 | (22) |
| Debt Management Account Deposit Facility | Various | 0 | 0 | (0) | 0 | (0) |
| Ashford Borough Council | 12 Months | 5,000 | 94 | (94) | 5,000 | (94) |
| Lancashire County Council | 12 Months | 5,000 | 52 | (52) | 5,000 | (52) |
| Total | | 26,000 | 41,662 | (39,162) | 28,500 | (662) |

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first three quarters of the financial year was £4.990m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances up to 30 September 2023 is £50,886.34.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of September and Money Market Rates between 5.21% and 5.33%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

| | Credit Score | Credit Rating | Bail-in Exposure | Weighted Average Maturity (days) | Rate of Return % |
|--------------------------|---------------------|----------------------|-------------------------|---|-------------------------|
| 31.03.2023 30.09.2023 | 4.69 | A+ | 64% | 18 | 4.14 |
| Similar Las/All LAs | 4.43 | AA- | 56% | 63 | 4.71 |

*Weighted average maturity

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Non-Treasury Investments

The definition of investments in the Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council held £15.8m of such investments in

- Loans to Rykneld Homes Ltd £6.765m
- Loans to Northwood Group Ltd £8.891m
- Shares in Northwood Group Ltd £0.127m

The Council held £21.8m of investments made for commercial purposes

- Directly owned property £21.8m

These investments generated £0.230m of investment income for the Council after taking account of direct costs, representing a rate of return of 1.06% as at 30th September 2023.

Treasury Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

| | Actual £m | Budget £m | Over/ under | Actual % | Benchmark % | Over/ under |
|-----------------------------------|----------------------|----------------------|------------------------|---------------------|------------------------|------------------------|
| PWLB Borrowing | 142.9 | 150.8 | Under | 3.53 | 4.33 | Under |
| Total borrowing | 142.9 | 150.8 | Under | 3.53 | 4.33 | Under |
| Total debt | 142.9 | 150.8 | Under | 3.53 | 4.33 | Under |
| Investments (see table 4) | 28.5 | 11.7 | Over | 4.60 | 2.42 | Over |
| Total treasury investments | 28.5 | 11.7 | Over | 4.60 | 2.42 | Over |

Compliance

The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

| | 2023/24 Maximum per counterparty | 30.9.23 Actual | 2023/24 Limit | Complied? |
|---|---|---------------------------|--------------------------|------------------|
| The UK Government | Unlimited | £0m | n/a | Yes |
| Local authorities & other government entities | £5m | £10m | Unlimited | Yes |
| Secured investments | £5m | £0m | Unlimited | Yes |
| Banks (unsecured) | £5m | £0m | Unlimited | Yes |
| Building societies (unsecured) | £5m | £0m | £20m | Yes |
| Registered providers (unsecured) | £5m | £0m | £20m | Yes |

| | | | | |
|-------------------------------|-----|------|-----------|-----|
| Money market funds | £5m | £20m | Unlimited | Yes |
| Strategic pooled funds | £5m | £0m | £20m | Yes |
| Real Estate Investment Trusts | £5m | £0m | £20m | Yes |
| Other investments | £5m | £0m | £20m | Yes |

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

| | Q1 2023/24 Maximum £m | 30.9.23 Actual £m | 2023/24 Operational Boundary £m | 2023/24 Authorised Limit £m | Complied? |
|-------------------|--|----------------------------------|--|--|------------------|
| Borrowing | 146.9 | 142.9 | 212.5 | 217.5 | Yes |
| Total debt | 146.9 | 142.9 | 212.5 | 217.5 | Yes |

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

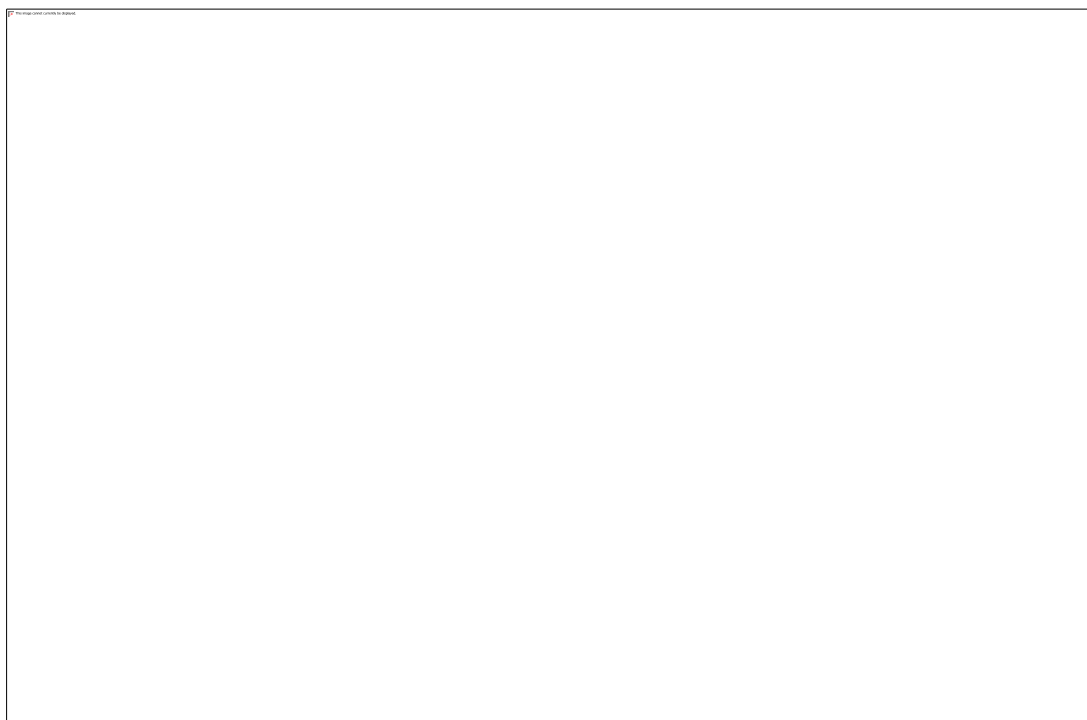
1. Liability Benchmark:

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

| | 31.3.23 Actual | 31.3.24 Forecast | 31.3.25 Forecast | 31.3.26 Forecast |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Loans CFR | 192.3 | 207.5 | 221.3 | 218.1 |
| Less: Balance sheet resources | (71.4) | (68.2) | (73.6) | (71.6) |

| | | | | |
|------------------------------|--------------|--------------|--------------|--------------|
| Net loans requirement | 120.9 | 139.3 | 147.7 | 146.5 |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 |
| Liability benchmark | 130.9 | 149.3 | 157.7 | 156.5 |
| Existing borrowing | 146.9 | 150.8 | 157.0 | 156.0 |

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £15.7m in 2023/24, minimum revenue provision on new capital expenditure based on a 50-year asset life. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

2. Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

| | Upper Limit | Lower Limit | 30.9.23 Actual | Complied? |
|--------------------------------|--------------------|--------------------|-----------------------|------------------|
| Under 12 months | 20% | 0% | 0.05% | Yes |
| 12 months and within 24 months | 20% | 0% | 4.28% | Yes |

| | | | | |
|------------------------------|-----|----|--------|-----|
| 24 months and within 5 years | 40% | 0% | 10.63% | Yes |
| 5 years and within 10 years | 40% | 0% | 17.09% | Yes |
| 10 years and above | 90% | 0% | 67.95% | Yes |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

3. Long-term Treasury Management Investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

| | 2023/24 | 2024/25 | 2025/26 | No fixed date |
|---|---------|---------|---------|---------------|
| Limit on principal invested beyond year end | £20m | £20m | £20m | £20m |
| Actual principal invested beyond year end | £0m | £0m | £0m | £0m |
| Complied? | Yes | Yes | Yes | Yes |

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 2023/24 Target | 30.9.23 Actual | Complied? |
|---------------------------------|----------------|----------------|-----------|
| Portfolio average credit rating | <3.0 | 1.57 | Yes |

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing / it can borrow each period without giving prior notice.

| | 2023/24 Target £m | 30.9.23 Actual £m | Complied? |
|--------------------------------------|----------------------|----------------------|-----------|
| Total cash available within 3 months | 11.7 | 21.5 | Yes |

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate rose by 0.75% during the quarter, from the prevailing rate of 4.25% on 1st April to 5.25% by 30th September.

| Interest rate risk indicator | 2023/24 Target | 30.9.23 Actual | Complied |
|--|----------------|----------------|----------|
| Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | £1.5m | £1.5m | Yes |
| Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | (£1.5m) | (£1.5m) | Yes |

For context, the changes in interest rates during the quarter were:

| | <u>31/3/23</u> | <u>30/9/23</u> |
|---|----------------|----------------|
| Bank Rate | 4.25% | 5.25% |
| 1-year PWLB certainty rate, maturity loans | 4.78% | 5.69% |
| 5-year PWLB certainty rate, maturity loans | 4.31% | 5.22% |
| 10-year PWLB certainty rate, maturity loans | 4.33% | 5.26% |
| 20-year PWLB certainty rate, maturity loans | 4.70% | 5.64% |
| 50-year PWLB certainty rate, maturity loans | 4.41% | 5.43% |

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Prudential Indicators April – September 2023/24

The Council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Expenditure:

The Authority has undertaken and is planning capital expenditure as summarised below.

| | 2022/23 actual £m | 2023/24 forecast £m | 2024/25 budget * £m | 2025/26 budget £m |
|-----------------------|----------------------------------|------------------------------------|------------------------------------|----------------------------------|
| General Fund services | £8.970 | £25.707 | £19.839 | £5.145 |
| Council housing (HRA) | £20.304 | £33.509 | £28.094 | £12.252 |
| Capital investments | £0.000 | £0.000 | £0.000 | £0.000 |
| Total | £29.274 | £59.216 | £47.933 | £17.397 |

* £0m of capital expenditure in arises from a change in the accounting for leases and does not represent cash expenditure.

The main General Fund capital projects to date have included Vehicle Replacement, Clay Cross Towns Fund Projects including the rebuilding of Sharley Park Active Community Hub. HRA capital expenditure is recorded separately and to date includes capital works on Council Dwellings, North Wingfield New build Project and Pine View Danesmoor replacement housing and a stock purchase programme.

Capital Financing Requirement:

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP/loans fund repayments and capital receipts used to replace debt.

| | 31.3.2023 actual £m | 31.3.2024 forecast £m | 31.3.2025 budget * £m | 31.3.2026 budget £m |
|-----------------------|------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| General Fund services | £20.923 | £25.843 | £32.029 | £28.240 |
| Council housing (HRA) | £171.346 | £181.695 | £189.288 | £189.888 |
| Capital investments | £0.000 | £0.000 | £0.000 | £0.000 |
| TOTAL CFR | £192.270 | £207.538 | £221.317 | £218.128 |

* £0.693m of the CFR increase in 2024/25 arises from a change in the accounting for leases

Gross Debt and the Capital Financing Requirement:

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

| | 31.3.2023 actual £m | 31.3.2024 forecast £m | 31.3.2025 budget £m | 31.3.2026 budget £m | Debt at 30.9.2023 £m |
|-------------------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Debt (incl. PFI & leases) | £146.921 | £150.809 | £156.995 | £155.995 | £142.875 |
| Capital Financing Requirement | £192.270 | £207.538 | £221.317 | £218.128 | |

Debt and the Authorised Limit and Operational Boundary:

The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

| | Maximum debt Q1 2023/24 £m | Debt at 30.9.23 £m | 2023/24 Authorised Limit £m | 2023/24 Operational Boundary £m | Complied? |
|-------------------|---|-----------------------------------|--|--|------------------|
| Borrowing | £146.921 | £142.875 | £217.500 | £212.500 | Yes |
| Total debt | £146.921 | £142.875 | £217.500 | £212.500 | Yes |

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Net Income from Commercial and Service Investments to Net Revenue Stream:

The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

| | 2022/23 actual £m | 2023/24 forecast £m | 2024/25 budget £m | 2025/26 budget £m |
|--|----------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Total net income from service and commercial investments | 1.195 | 1.064 | 0.944 | 0.793 |

| | | | | |
|----------------------------------|-------|-------|-------|-------|
| Proportion of net revenue stream | 7.96% | 6.30% | 5.86% | 5.67% |
|----------------------------------|-------|-------|-------|-------|

Proportion of Financing Costs to Net Revenue Stream:

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

| | 2022/23 actual | 2023/24 forecast | 2024/25 budget | 2025/26 budget |
|----------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| Financing costs (£m) | (0.4) | (0.2) | (0.1) | 0.4 |
| Proportion of net revenue stream | (2.37%) | (1.33%) | (0.52%) | 2.75% |



**North East
Derbyshire**
District Council

North East Derbyshire District Council

Treasury Management Strategy 2023/24 – 2026/27

Introduction

- 1.1 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the *Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.
- 1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

- 1.4 **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates and a deteriorating economic outlook, will be major influences on the Council's treasury management strategy for 2023/24.
- 1.5 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 1.6 The November quarterly Monetary Policy Report (MPR) forecast a shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While

the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

- 1.7 The UK economy grew by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 1.8 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 1.9 The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 1.10 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 1.11 Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.
- 1.12 **Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global

and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

- 1.13 CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.
- 1.14 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 1.15 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 1.16 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.
- 1.17 **Interest rate forecast:** The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 1.18 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 1.19 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 1.20 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.
- 1.21 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of around 2.42%, and that new long-term loans will be borrowed at an average rate of 4.33%.

Local Context

1.22 On 30th November 2022, the Council held £147.0m of borrowing and £33.5m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance sheet summary and forecast

| | 31/3/22 Actual £m | 31/3/23 Estimate £m | 31/3/24 Forecast £m | 31/3/25 Forecast £m | 31/3/26 Forecast £m | 31/3/27 Forecast £m |
|--------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| General Fund CFR | 16.7 | 21.3 | 25.8 | 32.0 | 28.2 | 26.2 |
| HRA CFR | 170.7 | 172.7 | 181.7 | 189.3 | 189.9 | 190.5 |
| Total CFR | 187.4 | 194.0 | 207.5 | 221.3 | 218.1 | 216.7 |
| Less: Other debt liabilities * | (0) | (0.3) | (0.2) | (0.7) | (0.5) | (0.3) |
| Loans CFR | 187.4 | 193.7 | 207.3 | 220.6 | 217.6 | 216.4 |
| Less: External borrowing ** | (147.0) | (146.9) | (150.8) | (157.0) | (156.0) | (155.0) |
| Internal borrowing | 40.4 | 46.8 | 56.5 | 63.6 | 61.6 | 61.4 |
| Less: Balance sheet reserves | (77.4) | (67.3) | (68.2) | (73.6) | (71.6) | (71.4) |
| Investments | 37.0 | 20.5 | 11.7 | 10.0 | 10.0 | 10.0 |

* Leases that form part of the Council's total debt.

** shows only loans to which the Council is committed and excludes optional refinancing

1.23 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

1.24 The Council has an increasing CFR due to commitments within the capital programme and also loans for Northwood Group Ltd and Rykneld Homes Ltd. The forecast level of reserves means that the majority of borrowing throughout this period is likely to be from internal resources.

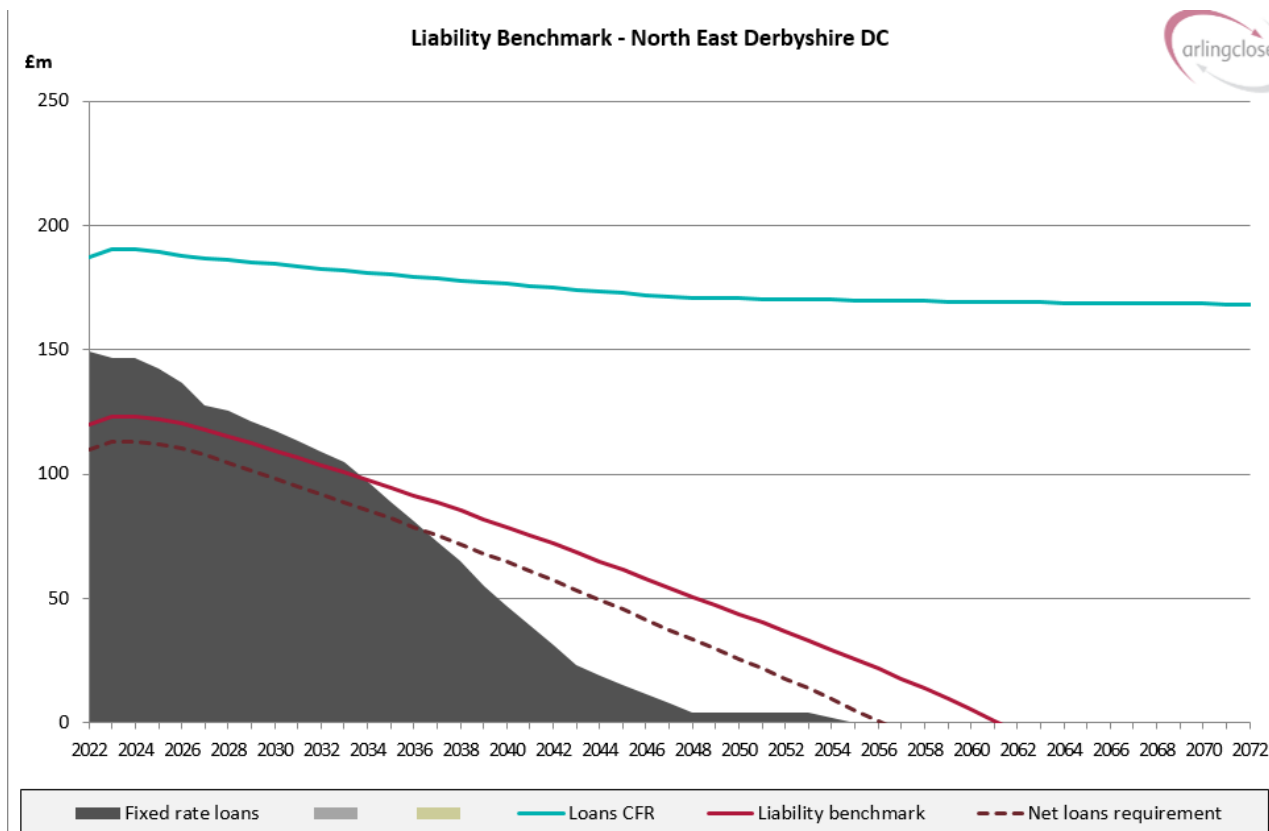
1.25 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2023/24.

- 1.26 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 1.27 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day to day cash flow.

Table 2: Prudential Indicator: Liability benchmark

| | 31/3/22 Actual £m | 31/3/23 Estimate £m | 31/3/24 Forecast £m | 31/3/25 Forecast £m | 31/3/26 Forecast £m | 31/3/27 Forecast £m |
|------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| CFR | 187.4 | 194.0 | 207.5 | 221.3 | 218.1 | 216.7 |
| Less: Balance sheet reserves | (77.4) | (67.3) | (68.2) | (73.6) | (71.6) | (71.4) |
| Net loans requirement | 110.0 | 126.7 | 139.3 | 147.7 | 146.5 | 145.3 |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Liability Benchmark | 120.0 | 136.7 | 149.3 | 157.7 | 156.5 | 155.3 |

- 1.28 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £36.895m over the term of the report, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all decreasing slightly over the period of the report. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



- 1.29 The minimum requirement is to show forecasts for loans CFR, net loans requirement and liability benchmark against actual borrowing for ten years. CIPFA recommends a longer period covering the current debt maturity profile with borrowing split into fixed rate, variable rate and LOBO.
- 1.30 The liability benchmark is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The liability benchmark identifies the maturities needed for new borrowing in order to match future liabilities. It therefore avoids borrowing for too long or too short. The liability benchmark acts as a mechanism for preventing future over-borrowing. Once the benchmark has been established, new borrowing decisions that take the level of borrowing over the benchmark, or increase any existing over-benchmark positions, should be considered very carefully.
- 1.31 The graph provided above shows how the CFR remains constant at a level of approximately £160m but the fixed rate loans are reducing once they meet their maturity dates. The graph, however, doesn't take account of any potential reborrowing of the current fixed rate loans as they mature.

Borrowing Strategy

- 1.32 The Council currently holds £147.0m of loans, a decrease of £2.2m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in **Table 1** shows that the Council does not expect to need to borrow in 2023/24. The Council may however, borrow to pre-fund future years'

requirements, providing this does not exceed the authorised limit for borrowing of £217.5m.

- 1.33 **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 1.34 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective currently to borrow short-term loans or use internal resources.
- 1.35 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 1.36 The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 1.37 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 1.38 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 1.39 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - any institution approved for investments (see below)

- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Derbyshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

1.40 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

1.41 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

1.42 **LOBOs:** The Council doesn't hold or intend to hold any LOBO (Lender's Option Borrower's Option) loans.

1.43 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

1.44 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

- 1.45 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £27.0m and £44.0m, however these levels are predicted to decrease due to the works on the replacement of Sharley Park Leisure Centre.
- 1.46 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 1.47 Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 1.48 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
- 1.49 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 1.50 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

- 1.51 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 1.52 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in **Table 3** below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

| Sector | Time limit | Counterparty limit | Sector limit |
|---|------------|--------------------|--------------|
| The UK Government | 50 years | Unlimited | n/a |
| Local authorities & other government entities | 25 years | £5m | Unlimited |
| Secured investments * | 25 years | £5m | Unlimited |
| Banks (unsecured) * | 13 months | £5m | Unlimited |
| Building societies (unsecured) * | 13 months | £5m | £20m |
| Registered providers (unsecured) * | 5 years | £5m | £20m |
| Money market funds * | n/a | £5m | Unlimited |
| Strategic pooled funds | n/a | £5m | £20m |
| Real estate investment trusts | n/a | £5m | £20m |
| Other investments * | 5 years | £5m | £20m |

- 1.53 *** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 1.54 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

- 1.55 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 1.56 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 1.57 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 1.58 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 1.59 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 1.60 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

- 1.61 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 1.62 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 1.63 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept at £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
- 1.64 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 1.65 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 1.66 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 1.67 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This may cause investment returns to fall, but will protect the principal sum invested.
- 1.68 **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £25.2 million on 31st March 2023 and £23.6 million on 31st March 2024. In order that no more than 19.8% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 1.69 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £5 million in operational bank accounts count against the relevant investment limits.
- 1.70 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment limits

| | Cash limit |
|---|-----------------|
| Any group of pooled funds under the same management | £5m per manager |
| Negotiable instruments held in a broker's nominee account | £5m per broker |
| Foreign countries | £5m per country |

- 1.71 **Liquidity management:** The Council uses its own cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

- 1.72 The Council will spread its liquid cash over a number of providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

- 1.73 The Council measures and manages its exposures to treasury management risks using the following indicators:
- 1.74 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| Credit risk indicator | |
|--|--------------------|
| Portfolio average credit rating | Target <3.0 |
| Current portfolio average credit rating on investments | Actual 1.36 |

- 1.75 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

| Liquidity risk indicator | Amount available |
|--------------------------------------|-------------------------|
| Total cash available within 3 months | £29.5m |

- 1.76 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

| Interest rate risk indicator | Limit each year |
|--|------------------------|
| Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | £1.5m |
| Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | (£1.5m) |

- 1.77 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.
- 1.78 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

| Refinancing rate risk indicator | Upper limit | Lower limit |
|--|--------------------|--------------------|
| Under 12 months | 20% | 0% |
| 12 months and within 24 months | 20% | 0% |
| 24 months and within 5 years | 40% | 0% |
| 5 years and within 10 years | 40% | 0% |
| 10 years and above | 90% | 0% |

1.79 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.80 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

| Price risk indicator | 2022/23 | 2023/24 | 2024/25 | No fixed date |
|---|----------------|----------------|----------------|----------------------|
| Limit on principal invested beyond year end | £20m | £20m | £20m | £20m |

Related Matters

1.81 The CIPFA Code requires the Council to include the following in its treasury management strategy.

1.82 **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

1.83 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

1.84 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for

derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

- 1.85 In line with the CIPFA code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 1.86 **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.
- 1.87 **Financial Implications:** The General Fund budget for investment income in 2023/24 is £0.120m with the HRA budget for investment income in 2023/24 being £0.220m, based on an average investment portfolio of £22.8m at an average interest rate of 1.49%. The General Fund budget for debt interest paid in 2023/24 is £0.366m with the HRA budget for debt interest paid in 2023/24 being £4.864m, based on an average debt portfolio of £147.0m at an average interest rate of 3.60%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

- 1.88 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

| Alternative | Impact on income and expenditure | Impact on risk management |
|---|---|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower | Lower chance of losses from credit related defaults, but any such losses may be greater |
| Invest in a wider range of counterparties and/or for longer times | Interest income will be higher | Increased risk of losses from credit related defaults, but any such losses may be smaller |

| | | |
|--|--|---|
| Borrow additional sums at long-term fixed interest rates | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain |
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing | Saving on debt interest is likely to exceed lost investment income | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain |

Appendix A

Arlingclose Economic & Interest Rate Forecast (November 2022)

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

| | Current | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 | 1.25 |
| Arlingclose Central Case | 3.50 | 4.00 | 4.25 | 4.25 | 4.25 | 4.25 | 4.00 | 3.75 | 3.50 | 3.25 | 3.25 | 3.25 | 3.25 |
| Downside risk | 0.00 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 3-month money market rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 | 1.25 |
| Arlingclose Central Case | 3.00 | 4.40 | 4.40 | 4.40 | 4.35 | 4.30 | 4.25 | 4.00 | 3.75 | 3.50 | 3.40 | 3.40 | 3.40 |
| Downside risk | 0.00 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 5yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.43 | 3.60 | 3.80 | 3.80 | 3.80 | 3.70 | 3.60 | 3.50 | 3.40 | 3.30 | 3.30 | 3.30 | 3.30 |
| Downside risk | 0.00 | 0.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 10yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.47 | 3.50 | 3.60 | 3.60 | 3.60 | 3.60 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 |
| Downside risk | 0.00 | 0.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 20yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.86 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 |
| Downside risk | 0.00 | 0.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 50yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.46 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 |
| Downside risk | 0.00 | 0.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B

Existing Investment & Debt Portfolio Position

| | 30/11/22 Actual Portfolio £m | 30/11/22 Average Rate % |
|---|---|--|
| External borrowing: | | |
| Public Works Loan Board | 147.0 | 3.53 |
| Total external borrowing | 147.0 | 3.53 |
| Total other long-term liabilities: | 0 | 0 |
| Total gross external debt | 147.0 | 3.53 |
| Treasury investments: | | |
| The UK Government | 0.0 | 0.00 |
| Local authorities | 10.0 | 1.13 |
| Banks (unsecured) | 0.0 | 0.00 |
| Money Market Funds | 23.5 | 3.11 |
| Total treasury investments | 33.5 | 4.24 |
| Net debt | 113.5 | |



North East Derbyshire District Council

Capital Strategy 2023/24 – 2026/27

Introduction

- 1.1 This capital strategy report, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

- 1.3 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2023/24, the Council is planning capital expenditure of £48.4m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|-----------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| General Fund Services | 5.4 | 17.0 | 18.5 | 19.8 | 5.1 | 1.7 |
| Council Housing (HRA) | 20.7 | 22.0 | 29.9 | 28.1 | 12.3 | 12.3 |
| TOTAL | 26.1 | 39.0 | 48.4 | 47.9 | 17.4 | 14.0 |

- 1.4 The main General Fund capital projects include replacement vehicles, asset refurbishment, ICT replacement, disabled facilities grant funded adaptations, Clay Cross Towns Fund programme and rebuilding of Sharley Park Leisure Centre. Following a change in the Prudential Code, the Council no longer incurs capital expenditure on investments.
- 1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The main HRA capital projects involve refurbishment of dwellings, North Wingfield new build project, stock purchase programme and improvement works to the energy efficiency of the Council's non-traditional housing stock.
- 1.7 **Governance:** Projects are included in the capital programme as part of the annual budget review or through ad hoc approval during the year. The capital programme is refreshed each year and the new requirements are presented to Cabinet and Council annually. Full details of the Council's Capital Programme can be seen at **Appendix A** to this report.
- 1.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Financing of Capital Programme (Appendix A)

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| External Sources | 4.9 | 11.0 | 12.3 | 11.4 | 4.0 | 0.8 |
| Capital Receipts | 1.2 | 5.7 | 4.2 | 3.9 | 1.5 | 1.3 |
| Own Resources | 17.4 | 18.8 | 16.2 | 16.2 | 11.3 | 11.3 |
| Debt | 2.6 | 3.5 | 15.7 | 16.4 | 0.6 | 0.6 |
| TOTAL | 26.1 | 39.0 | 48.4 | 47.9 | 17.4 | 14.0 |

- 1.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to repay and/or replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|---------------------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Capital Resources | 1.3 | 0 | 0 | 0 | 0 | 0 |
| Minimum Revenue Provision (MRP) | 0.6 | 0.1 | 0.2 | 0.3 | 0.7 | 0.7 |
| Total | 1.9 | 0.1 | 0.2 | 0.3 | 0.7 | 0.7 |

The Council's full minimum revenue provision statement is **Appendix B** to this report.

- 1.10 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £13.5m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

| | 31/3/2022 Actual £m | 31/3/2023 Forecast £m | 31/3/2024 Budget £m | 31/3/2025* Budget £m | 31/3/2026 Budget £m | 31/3/2027 Budget £m |
|-----------------------|------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| General Fund Services | 16.7 | 21.3 | 25.8 | 32.0 | 28.2 | 26.2 |
| Council Housing (HRA) | 170.7 | 172.7 | 181.7 | 189.3 | 189.9 | 190.5 |
| TOTAL CFR | 187.4 | 194.0 | 207.5 | 221.3 | 218.1 | 216.7 |

*£0.7m of the CFR increase in 2024/25 arises from a change in the accounting for leases.

- 1.11 **Asset management:** The Council's assets require regular maintenance to ensure they remain safe and fit for purpose. It is also important for income generation that assets remain in a good condition and so remain lettable. A planned approach yields savings in running costs and energy efficiency benefits over time as works are completed and asset conditions improve.
- 1.12 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

The Council is currently also permitted to spend capital receipts “flexibly” on approved service reform projects until 2023/24 under the flexible use of capital receipts strategy. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £5.8m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|--------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Asset Sales | 5.18 | 4.92 | 5.80 | 4.70 | 4.20 | 4.20 |
| Loans Repaid | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 5.18 | 4.92 | 5.80 | 4.70 | 4.20 | 4.20 |

Treasury Management

- 1.13 Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.14 Due to decisions taken in the past, the Council currently has £147.0m borrowing at an average interest rate of 3.53% and £33.5m treasury investments at an average rate of 2.42%.
- 1.15 **Borrowing strategy:** The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 3.5%) and long-term fixed rate loans where the future cost is known but higher (currently 4.09%-4.57%).
- 1.16 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 1.17 Projected levels of the Council’s total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above):

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

| | 31/3/2022 Actual £m | 31/3/2023 Forecast £m | 31/3/2024 Budget £m | 31/3/2025 Budget £m | 31/3/2026 Budget £m | 31/3/2027 Budget £m |
|-------------------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Debt (incl. leases) | 147.0 | 147.2 | 151.0 | 157.7 | 156.5 | 155.3 |
| Capital Financing Requirement | 187.4 | 194.0 | 207.5 | 221.3 | 218.1 | 216.7 |

1.18 Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. As can be seen from **Table 6**, the Council expects to comply with this in the medium term.

1.19 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing:

Table 7: Borrowing and the Liability Benchmark

| | 31/3/2022 Actual £m | 31/3/2023 Forecast £m | 31/3/2024 Budget £m | 31/3/2025 Budget £m | 31/3/2026 Budget £m | 31/3/2027 Budget £m |
|-----------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Outstanding Borrowing | 147.0 | 146.9 | 150.8 | 157.0 | 156.0 | 155.0 |
| Liability Benchmark | 120.0 | 136.7 | 149.3 | 157.7 | 156.5 | 155.3 |

1.20 The table above shows that the Council expects to remain borrowed above its liability benchmark in the short term but slightly below in the longer term. This is because a deliberate decision has been made to borrow additional sums for the rebuilding of Sharley Park Leisure Centre.

1.21 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

| | 2022/23 limit £m | 2023/24 limit £m | 2024/25 limit £m | 2025/26 limit £m | 2026/27 limit £m |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Authorised Limit – Borrowing | 203.7 | 217.3 | 230.6 | 227.6 | 226.4 |
| Authorised Limit – Leases | 0.3 | 0.2 | 0.7 | 0.5 | 0.3 |
| Authorised Limit – Total External Debt | 204.0 | 217.5 | 231.3 | 228.1 | 226.7 |
| Operational Boundary – Borrowing | 198.7 | 212.3 | 225.6 | 222.6 | 221.4 |
| Operational Boundary – Leases | 0.3 | 0.2 | 0.7 | 0.5 | 0.3 |
| Operational Boundary – Total External Debt | 199.0 | 212.5 | 226.3 | 223.1 | 221.7 |

- 1.22 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.23 The Council's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury Management investments

| | 31/3/2022 Actual £m | 31/3/2023 Forecast £m | 31/3/2024 Budget £m | 31/3/2025 Budget £m | 31/3/2026 Budget £m | 31/3/2027 Budget £m |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Near-Term Investments | 37.0 | 20.5 | 11.7 | 10.0 | 10.0 | 10.0 |
| Longer-Term Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 37.0 | 20.5 | 11.7 | 10.0 | 10.0 | 10.0 |

- 1.24 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the

risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- 1.25 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to the Audit and Corporate Governance Scrutiny Committee who are responsible for scrutinising treasury management decisions. Six monthly updates are provided for Council.

Investments for Service Purposes

- 1.26 The Council can make investments to assist local public services, including making loans to local service providers and businesses to promote economic growth.
- 1.27 **Risk Management:** In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs. The risk of incurring unexpected losses is managed by the use of estimated credit losses. Provisions for expected credit losses are made to ensure that the Council can finance any sums due to the Council which are deemed to be irrecoverable after all recovery measures have been exhausted. A limit of £14.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. This includes loans to the Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee.
- 1.28 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Cabinet then Council in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director is responsible for ensuring that adequate due diligence is carried out before investment is made.

Commercial Activities

- 1.29 With central government financial support for local public services declining, the Council has invested in developing residential property through Northwood Group Ltd. Currently, an investment of £7.813m has been made into Northwood Group Ltd and further future investment of £0.850m is approved to provide a total investment of £8.663m.
- 1.30 The Council has investment properties generating between £0.449m and £0.474m in net income a year after all costs, before exposing it to normal commercial risks. These

risks are managed by maintaining the properties in good order and advertising vacant properties as soon as possible over a wide area to generate interest in letting the vacant properties.

- 1.31 **Risk Management:** With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include build cost estimates, sales values estimates and demand. These risks are mitigated by working with experienced builders and professionals who have knowledge of the local market. In order that commercial investments remain proportionate to the size of the Council, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. Contingency plans are in place should expected yields not materialise.
- 1.32 **Governance:** Decisions on commercial investments are made by Council in line with the criteria and limits approved in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme. The Chief Financial Officer is responsible for ensuring that adequate due diligence is carried out before investment is made.

Table 10 – Prudential Indicator: Net income from commercials & service investments to net revenue scheme.

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|---|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net income from commercial investments | 0.474 | 0.458 | 0.450 | 0.451 | 0.450 | 0.449 |
| Net income from service investments | 0.440 | 0.624 | 0.614 | 0.493 | 0.343 | 0.259 |
| Total net income from service and commercial investments | 0.914 | 1.082 | 1.064 | 0.944 | 0.793 | 0.708 |
| Proportion of net revenue stream | 5.85% | 6.79% | 6.30% | 5.86% | 5.67% | 5.04% |
| Proportion of usable revenue reserves | 3.49% | 4.30% | 4.50% | 4.09% | 3.85% | 3.93% |

Liabilities

- 1.33 In addition to debt of £147.0m detailed above, the Council is committed to making future payments to cover its net pension fund deficit (valued at £42.8m). It has also set aside £1.0m to cover risks of business rates appeals and £1.1m to cover risks of water claims.
- 1.34 **Governance:** Decisions on incurring new discretionary liabilities are taken to Council for approval. The risk of liabilities occurring and requiring payment are monitored as part of the year-end process.

Revenue Budget Implications

- 1.35 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to

the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|--|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Financing Costs | 0.5 | (0.3) | (0.2) | (0.1) | 0.4 | 0.5 |
| Proportion of Net Revenue Stream | 3.30% | (1.58%) | (1.33%) | (0.52%) | 2.75% | 3.37% |

- 1.36 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

- 1.37 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.
- 1.38 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.39 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.

Treasury Management Operations

- 1.40 As mentioned above the Council uses external treasury management advisors. The company provides a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments;

- A number of places at training events offered on a regular basis.
 - Credit ratings/market information service comprising the three main credit rating agencies;
 -
- 1.41 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review. It should be noted that the Council has Arlingclose Ltd as external treasury management advisors, for a period of up to 3 years commencing October 2022.

Banking Contract

- 1.42 The contract with the Councils banking provider Lloyds Bank was extended on the 10th February 2022 for a period of up to 7 years.

Business Continuity Arrangements

- 1.43 As part of the Councils business continuity arrangements officers have sought to set up and provide alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank and will only be utilised should a business continuity need or similar issue arise. Officers will continue to review this arrangement.

Appendix A

Capital Programme 2022-2027

| Capital Expenditure | Revised Budget 2022/23 £ | Original Budget 2023/24 £ | Original Budget 2024/25 £ | Original Budget 2025/26 £ | Original Budget 2026/27 £ |
|---|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Housing Revenue Account | | | | | |
| HRA Capital Works | 12,272,000 | 11,485,100 | 11,485,100 | 10,441,000 | 10,441,000 |
| HRA Capital Works - Non Traditional Properties | 4,600,000 | 9,743,000 | 9,743,000 | 500,000 | 500,000 |
| Green Homes EWI - Mickley | 333,000 | 0 | 0 | 0 | 0 |
| Pine View, Danesmoor | 832,000 | 0 | 0 | 0 | 0 |
| Stock Purchase Programme (1-4-1) | 2,500,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Acquisitions and Disposals (RHL) | 500,000 | 0 | 0 | 0 | 0 |
| North Wingfield New Build Project | 215,000 | 7,325,000 | 5,555,000 | 0 | 0 |
| Garage Demolitions | 60,000 | 23,000 | 23,000 | 23,000 | 23,000 |
| Concrete Balconies | 111,000 | 0 | 0 | 0 | 0 |
| Parking Solutions | 573,000 | 288,000 | 288,000 | 288,000 | 288,000 |
| HRA - Capital Expenditure | 21,996,000 | 29,864,100 | 28,094,100 | 12,252,000 | 12,252,000 |
| General Fund | | | | | |
| Private Sector Housing Grants (DFG's) | 820,000 | 820,000 | 820,000 | 820,000 | 820,000 |
| ICT Schemes | 460,000 | 198,500 | 108,000 | 100,000 | 129,000 |
| Clay Cross Football Pitch | 9,000 | 0 | 0 | 0 | 0 |
| Asset Refurbishment - General | 609,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Asset Refurbishment - Eckington Depot | 732,000 | 0 | 0 | 0 | 0 |
| Roller Shutter Doors | 86,000 | 0 | 0 | 0 | 0 |
| Eckington Pool Carbon Efficiencies Programme | 266,000 | 0 | 0 | 0 | 0 |
| Dronfield Sports Centre Carbon Efficiencies Programme | 1,680,000 | 0 | 0 | 0 | 0 |
| Replacement of Vehicles | 2,292,500 | 2,210,000 | 1,914,500 | 484,000 | 260,000 |
| Wingerworth Lido | 150,000 | 0 | 0 | 0 | 0 |
| Contaminated Land | 42,000 | 0 | 0 | 0 | 0 |
| Killamarsh Leisure Centre | 1,060,000 | 0 | 0 | 0 | 0 |
| Sharley Park 3G pitch | 0 | 0 | 1,000,000 | 0 | 0 |
| CX Town Market Street Regeneration | 0 | 1,999,000 | 2,000,000 | 0 | 0 |
| CX Town Bridge Street Regeneration | 0 | 0 | 2,500,000 | 2,500,000 | 0 |
| CX Town Clay Cross Creative (inc LC Energy Network) | 150,000 | 850,000 | 0 | 0 | 0 |
| CX Town Clay Cross Skills and Enterprise Hub | 0 | 1,500,000 | 500,000 | 0 | 0 |
| CX Town Sharley Park Active Community Hub | 7,145,000 | 8,100,000 | 8,605,000 | 0 | 0 |
| CX Town Clay Cross Connections | 0 | 1,500,000 | 1,000,000 | 500,000 | 0 |
| CX Town Low Carbon Housing Challenge Fund | 650,000 | 650,000 | 650,000 | 0 | 0 |
| CX Town Rail Station Feasibility | 150,000 | 0 | 0 | 0 | 0 |
| CX Town Programme Management | 415,000 | 241,000 | 241,000 | 241,000 | 0 |
| CX Acc Fund Old Constabulary | 0 | 0 | 0 | 0 | 0 |
| CX Acc Fund School Demolition | 158,000 | 0 | 0 | 0 | 0 |
| CX Acc Fund CX Depot Demolition | 86,000 | 0 | 0 | 0 | 0 |
| CX Acc Fund Public Art Work | 32,000 | 0 | 0 | 0 | 0 |
| CX Acc Fund Land Assembly | 3,000 | 0 | 0 | 0 | 0 |
| CX Acc Fund Other | 2,000 | 0 | 0 | 0 | 0 |
| General Fund Capital Expenditure | 16,997,500 | 18,568,500 | 19,838,500 | 5,145,000 | 1,709,000 |
| Total Capital Expenditure | 38,993,500 | 48,432,600 | 47,932,600 | 17,397,000 | 13,961,000 |

| Capital Financing | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Housing Revenue Account | | | | | |
| Major Repairs Reserve | (17,125,000) | (15,855,100) | (15,855,100) | (10,941,000) | (10,941,000) |
| Prudential Borrowing - HRA | (2,015,000) | (8,973,000) | (7,593,000) | (600,000) | (600,000) |
| Development Reserve | (1,596,000) | (311,000) | (311,000) | (311,000) | (311,000) |
| Grants | 0 | (3,395,000) | (3,005,000) | 0 | 0 |
| 1-4-1 Receipts | (1,260,000) | (1,330,000) | (1,330,000) | (400,000) | (400,000) |
| HRA Capital Financing | (21,996,000) | (29,864,100) | (28,094,100) | (12,252,000) | (12,252,000) |
| General Fund | | | | | |
| Disabled Facilities Grant | (820,000) | (820,000) | (820,000) | (820,000) | (820,000) |
| External Grant - Lottery Funded Schemes | (9,000) | 0 | 0 | 0 | 0 |
| External Grant - Contaminated Land | (42,000) | 0 | 0 | 0 | 0 |
| External Grant - Clay Cross Towns Fund | (8,791,000) | (6,595,000) | (6,891,000) | (3,241,000) | 0 |
| External Grant - Sharley Park Rebuild (Sport E) | 0 | (1,500,000) | 0 | 0 | 0 |
| External Grant - Dronfield Sports Centre Carbon Efficiencies | (1,347,000) | 0 | 0 | 0 | 0 |
| External Grant - Sharley Park 3G pitch | 0 | 0 | (750,000) | 0 | 0 |
| Prudential Borrowing - Eckington Depot | (454,000) | 0 | 0 | 0 | 0 |
| Prudential Borrowing - Killamarsh Leisure Centre | (1,060,000) | 0 | 0 | 0 | 0 |
| Prudential Borrowing - Sharley Park Leisure Centre | 0 | (6,745,000) | (8,605,000) | 0 | 0 |
| Prudential Borrowing - Sharley Park Leisure Centre 3G pitch | 0 | 0 | (250,000) | 0 | 0 |
| RCCO - Roller Shutter Doors | (86,000) | 0 | 0 | 0 | 0 |
| Useable Capital Receipts | (4,388,500) | (2,908,500) | (2,522,500) | (1,084,000) | (889,000) |
| General Fund Capital Financing | (16,997,500) | (18,568,500) | (19,838,500) | (5,145,000) | (1,709,000) |
| HRA Development Reserve | | | | | |
| Opening Balance | (2,551,185) | (955,185) | (1,197,015) | (1,337,851) | (1,478,686) |
| Amount due in year | 0 | (552,830) | (451,836) | (451,835) | (441,780) |
| Amount used in year | 1,596,000 | 311,000 | 311,000 | 311,000 | 311,000 |
| Closing Balance | (955,185) | (1,197,015) | (1,337,851) | (1,478,686) | (1,609,466) |
| Major Repairs Reserve | | | | | |
| Opening Balance | (2,238,257) | (536,757) | (536,757) | (536,757) | (536,757) |
| Amount due in year | (15,423,500) | (15,855,100) | (15,855,100) | (10,941,000) | (10,941,000) |
| Amount used in year | 17,125,000 | 15,855,100 | 15,855,100 | 10,941,000 | 10,941,000 |
| Closing Balance | (536,757) | (536,757) | (536,757) | (536,757) | (536,757) |
| Capital Receipts Reserve | | | | | |
| Opening Balance | (2,340,168) | (51,668) | (143,168) | (120,668) | (1,036,668) |
| Income expected in year | (3,100,000) | (4,000,000) | (3,500,000) | (3,000,000) | (3,000,000) |
| Allowable Debt/Pooling Expenses | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Amount used in year | 4,388,500 | 2,908,500 | 2,522,500 | 1,084,000 | 889,000 |
| Closing Balance | (51,668) | (143,168) | (120,668) | (1,036,668) | (2,147,668) |
| Capital Receipts Reserve 1-4-1 receipts | | | | | |
| Opening Balance | (762,969) | (1,322,969) | (1,792,969) | (1,662,969) | (1,662,969) |
| Income expected in year | (1,820,000) | (1,800,000) | (1,200,000) | (1,200,000) | (1,200,000) |
| Amount used in year | 1,260,000 | 1,330,000 | 1,330,000 | 400,000 | 400,000 |
| Closing Balance | (1,322,969) | (1,792,969) | (1,662,969) | (2,462,969) | (2,462,969) |
| Total Capital Financing | (38,993,500) | (48,432,600) | (47,932,600) | (17,397,000) | (13,961,000) |

Appendix B

Annual Minimum Revenue Provision Statement 2023/24

Where the Council finances General Fund capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government, Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council, to approve an Annual MRP Statement each year, and includes recommendations for calculating a prudent amount of MRP. In line with this guidance the Council has adopted the following approach:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought

to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2023, the budget for MRP has been set as follows:

| | 31/03/23 Estimated CFR £m | 2023/24 Estimated MRP £m |
|--|--|---|
| Supported Capital Expenditure after 31.03.2008 | 0 | 0 |
| Unsupported Capital Expenditure after 31.03.2008 | 21.0 | 0.16 |
| Leases | 0.3 | 0.07 |
| Total General Fund | 21.3 | 0.23 |
| Assets in the Housing Revenue Account | 45.6 | 0 |
| HRA Subsidy Reform Payment | 127.1 | 0 |
| Total Housing Revenue Account | 172.7 | 0 |
| Total | 194.0 | 0.23 |

Revenue Account (HRA)

Following the budget on 30 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.

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.



**North East
Derbyshire**
District Council

North East Derbyshire District Council

Investment Strategy 2023/24 – 2026/27

Introduction

- 1.1 The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.2 This investment strategy meets the requirements of the statutory guidance issued by the Government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

- 1.3 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £11.7m and £30.0m during the 2023/24 financial year.
- 1.4 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

- 1.5 **Further details:** Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in the Treasury Management Strategy.

Service Investments: Loans

- 1.6 **Contribution:** The Council lends money to assist local public services, including making loans to local service providers and businesses to stimulate local economic growth. This includes loans to Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee. It also includes a loan to Northwood Group Ltd for a mixed tenure housing development scheme in the district.
- 1.7 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

| Category of borrower | 31/3/2022 actual | | | 2023/24 |
|----------------------|---------------------|----------------------|------------------------------|----------------------|
| | Balance owing £m | Loss allowance £m | Net figure in accounts £m | Approved limit £m |
| Rykneld Homes Ltd | 7.029 | 0 | 7.029 | 13.500 |
| Northwood Group Ltd | 4.929 | 0 | 4.929 | 8.663 |
| Total | 11.958 | 0 | 11.958 | 22.163 |

- 1.8 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 1.9 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by requiring a fully costed business case in all instances that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust. The strength of the partnership between Rykneld Homes company and the Council and Northwood group Ltd and the Council helps to mitigate any risk associated with non-payment.

Service Investments: Shares

- 1.10 **Contribution:** The Council has invested £0.150m to date in the shares of Northwood Group Ltd to support local public services and stimulate local economic growth by delivering housing developments whilst generating income for the Council.
- 1.11 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

| Category of company | 31/3/2022 actual | | | 2023/24 |
|---------------------|------------------------|-------------------------|-------------------------|----------------------|
| | Amounts invested £m | Gains or (losses) £m | Value in accounts £m | Approved Limit £m |
| Northwood Group Ltd | 0.150 | (0.016) | 0.134 | 0.150 |
| TOTAL | 0.150 | (0.016) | 0.134 | 0.150 |

- 1.12 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by working with experienced professionals who have extensive knowledge of the projects and the local markets. In order that commercial investments remain proportionate to the size of the Council, these are subject to overall maximum investment limits and contingency plans are in place should expected yields not materialise.
- 1.13 **Liquidity:** the viability models for each project the Council considers take account of the maximum periods for which funds may prudently be committed and states what those maximum periods are within approved contracts. This will assist the Council to stay within its stated investment limits.
- 1.14 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

- 1.15 MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.
- 1.16 **Contribution:** The Council invests in local, commercial and residential property with the intention of making a profit that will be spent on local public services. These are mainly industrial units owned across the district.

Table 3: Property held for investment purposes

| Property | Actual | 31/3/2022 actual | | 31/3/2023 expected | |
|-----------------------------|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Purchase cost £m | Gains or (losses) £m | Value in accounts £m | Gains or (losses) £m | Value in accounts £m |
| Industrial Units | 4.1 | 5.7 | 9.8 | 0 | 9.8 |
| Land | 1.7 | 7.3 | 9.0 | 0 | 9.0 |
| Commercial Properties | 1.1 | 0.1 | 1.2 | 0 | 1.2 |
| Shared Ownership Properties | 1.0 | 0.4 | 1.4 | 0 | 1.4 |
| TOTAL | 7.9 | 13.5 | 21.4 | 0 | 21.4 |

- 1.17 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 1.18 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022/23 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 1.19 Where value in the accounts is below purchase cost, the fair value of the Council's investment property portfolio would no longer be sufficient to provide security against loss, and the Council would therefore need to take mitigating actions to protect the capital invested. These actions could include maintaining the investment properties to a required standard and once vacant, advertising any empty investment properties quickly and with professional advertising agencies.
- 1.20 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by working with experienced professionals who have extensive knowledge of the projects, properties and local markets. In order that commercial investments remain proportionate to the size of the Council, these are subject to overall maximum investment limits and contingency plans are in place should expected yields not materialise.
- 1.21 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The Council's Treasury Management Strategy provides assurances through limits on long-term investments to ensure that the invested funds

or suitable alternatives can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

- 1.22 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
- 1.23 The Council has contractually committed to make up to £8.663m of loans to Northwood Group Ltd should it request it.

Proportionality

- 1.24 The Council is to some extent dependent on income generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council's contingency plans for continuing to provide these services are to meet the shortfalls from other efficiencies generated within the general fund revenue budget or utilise reserves set aside for this purpose.

Table 4: Proportionality of investments

| | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|-------------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net Service Expenditure | 10.431 | 13.272 | 14.805 | 13.978 | 13.646 | 13.815 |
| Net Investment Income | 0.474 | 0.458 | 0.450 | 0.451 | 0.450 | 0.449 |
| Proportion | 4.5% | 3.5% | 3.0% | 3.2% | 3.3% | 3.3% |

Borrowing in Advance of Need

- 1.25 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

Capacity, Skills and Culture

- 1.26 **Elected members and statutory officers:** The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.
- 1.27 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.28 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.
- 1.29 **Commercial deals:** All Officers involved in negotiating such arrangements are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate and considerable due diligence is undertaken in all instances.
- 1.30 **Corporate governance:** All decisions regards new loans or investments of this nature are considered by the Council's Cabinet before being recommended for approval at Council. Any presentation to members will have been through a fully costed business case that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust before reporting to Cabinet.

Investment Indicators

- 1.31 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 1.32 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 5: Total investment exposure

| Total investment exposure | 31/03/2022 Actual £m | 31/03/2023 Forecast £m | 31/03/2024 Forecast £m |
|---|-------------------------------------|---------------------------------------|---------------------------------------|
| Treasury management investments | 37.00 | 20.50 | 11.70 |
| Service investments: Loans – Rykneld Homes Ltd | 7.03 | 6.77 | 6.50 |
| Service investments: Loans – Northwood Group Ltd | 4.93 | 8.11 | 6.41 |
| Service investments: Shares – Northwood Group Ltd | 0.15 | 0.15 | 0.15 |
| Commercial investments: Property | 21.40 | 21.40 | 21.40 |
| TOTAL INVESTMENTS | 70.51 | 56.93 | 46.16 |
| Commitments to lend | 10.20 | 7.28 | 9.25 |
| TOTAL EXPOSURE | 80.71 | 64.21 | 55.41 |

- 1.33 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. To date these investments have been funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing

| Investments funded by borrowing | 31/03/2022 Actual £m | 31/03/2023 Forecast £m | 31/03/2024 Forecast £m |
|---|-------------------------------------|---------------------------------------|---------------------------------------|
| Treasury management investments | 0 | 0 | 0 |
| Service investments: Loans – Rykneld Homes Ltd | 7.03 | 6.77 | 6.50 |
| Service investments: Loans – Northwood Group Ltd | 4.93 | 8.11 | 6.41 |
| Service investments: Shares – Northwood Group Ltd | 0 | 0 | 0 |
| Commercial investments: Property | 0 | 0 | 0 |
| TOTAL FUNDED BY BORROWING | 11.96 | 14.88 | 12.91 |

- 1.34 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government

accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

| Investments net rate of return | 2021/22 Actual £m | 2022/23 Forecast £m | 2023/24 Forecast £m |
|---|----------------------------------|------------------------------------|------------------------------------|
| Treasury management investments | 0.08% | 1.06% | 1.49% |
| Service investments: Loans – Rykneld Homes Ltd | 3.50% | 3.53% | 3.52% |
| Service investments: Loans – Northwood Group Ltd | 5.09% | 5.09% | 5.09% |
| Service investments: Shares – Northwood Group Ltd | 0.00% | 0.00% | 0.00% |
| Commercial investments: Property | 2.22% | 2.15% | 2.11% |

- 1.35 The indicators used to report on the risks and opportunities associated with investment decisions will be kept under review as the Council's Investment Strategy and activities evolve over time.



North East Derbyshire District Council

Flexible Use of Capital Receipts Strategy 2023/24 – 2024/25

Introduction

- 1.1 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation.

The Guidance

- 1.2 The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that:
- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
 - Local authorities cannot borrow to finance the revenue costs of the service reforms.
 - The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
 - The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.
 - In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

- 1.3 The Council is also required to prepare a “Flexible use of capital receipts strategy” before the start of the year to be approved by Council which can be part of the budget report to Council. This Strategy therefore applies to the financial years 2023/24 to 2024/25.

Examples of qualifying expenditure

- 1.4 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
- Sharing back-office and administrative services with one or more other council or public sector bodies;
 - Investment in service reform feasibility work, e.g. setting up pilot schemes;
 - Collaboration between local authorities and central government departments to free up land for economic use;
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
 - Sharing Chief Executives, management teams or staffing structures;
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
 - Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (e.g. through selling services to others);
 - Integrating public facing services across two or more public sector bodies (e.g. children’s social care, trading standards) to generate savings or to transform service delivery.

The Council's Proposals

- 1.5 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."
- 1.6 The Government's use of flexible capital receipts directive has been extended until 31st March 2025.
- 1.7 The Council currently has no plans to utilise the use of flexible capital receipts during the period of the Medium Term Financial Plan 2023/24 to 2026/27.

Impact on Prudential Indicators

- 1.8 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The Council's current capital programme does not utilise the capital receipts that will be generated to fund the above proposal. Therefore, there will be no change to the Council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.
- 1.9 This strategy has been produced to fulfil the requirements of the DELTA return for the flexible use of capital receipts. As the Council is not utilising the flexible use of capital receipts within its current medium term financial plan this strategy was not needed and not taken through the usual Council committee, it will, in future be added to the normal Treasury Management Strategy Statement approval process

North East Derbyshire District Council

Audit Committee

4 December 2023

Committee Work Programme 2023/2024

Report of the Assistant Director of Governance and Monitoring Officer

Classification: This report is public

Report By: Tom Scott – Governance and Scrutiny Officer

Contact Officer: Tom Scott thomas.scott@ne-derbyshire.gov.uk 01246 217045

PURPOSE / SUMMARY

To enable the Audit Committee to review the proposed Work Programme for the the municipal year 2023/2024.

RECOMMENDATIONS

1. That the Committee notes and approves the proposed Audit Committee Work Programme for the 2023/2024 municipal year as set out in the attached **Appendix 1**.

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

Risk - the development of a Work Programme for the Audit Committee will provide an appropriate structure to assist and support the Committee's work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The Programme is designed to allow the Audit Committee to continue its flexible approach to its and consider work the range of matters which are within its remit. There are no financial issues arising from the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes ☐

No ☒

Details:

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

On Behalf of the Solicitor to the Council

Staffing:

Yes ☐

No ☒

Details:

There are no staffing issues arising from the report.

On behalf of the Head of Paid Service

DECISION INFORMATION

| 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: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| District Wards Significantly Affected | None |
| Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | Yes Details: Members of the Audit Committee |

Links to Council Ambition (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

None.

REPORT DETAILS

1 Background

- 1.1 The Audit Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that an Annual Work Programme continues to be in place.
- 1.2 The Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is a live document to which matters may be added or removed as appropriate and approved by the Committee, including standing items.
- 1.3 The Work Programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice.

2. Details of Proposal or Information

- 2.1 To enable the Audit Committee to review the Work Programme for the municipal year 2023/24.

3 Reasons for Recommendation

- 3.1 To enable the Committee to consider the Work Programme for the 2023/24 municipal year.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no other options proposed.

DOCUMENT INFORMATION

| Appendix No | Title |
|---|----------------------------------|
| 1 | Committee Work Programme 2023/24 |
| 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) you must provide copies of the background papers) | |
| | |

AUDIT COMMITTEE: PROPOSED WORK PROGRAMME 2023/24

| <u>DATE OF MEETING</u> | <u>ITEM</u> |
|---|--|
| 3 July 2023 | <ul style="list-style-type: none"> • Induction Session • External Audit Progress Report • Risk Management Update • Treasury Management Presentation |
| 4 December 2023 Accounts Sign off Meeting | <ul style="list-style-type: none"> • Annual Governance Statement and Code of Corporate Governance 2022/23 • Annual Statement of Accounts and Going Concern Report 2022/23 • Audit Completion Report 2022/23 • Letter of Representation 2022/23 • Internal Audit Annual Report • Internal Audit Progress Report • Monitoring the implementation of Internal Audit recommendations • Risk Management Update • Treasury Management update • Safeguarding update |
| 22 January 2024 | <ul style="list-style-type: none"> • Treasury Management Strategies 2023/24 – 2026/27 • External Audit Progress Report • Internal Audit Progress Update • Risk Management Update • Proposed Accounting Policies 2023/24 • Review of the Internal Audit Charter |
| 15 April 2024 | <ul style="list-style-type: none"> • Annual Review of Effectiveness of Internal Audit • Internal Audit Progress Update • Monitoring the implementation of Internal Audit recommendations • External Audit Progress Update • Internal Audit Plan 2024/25 • Evaluate the Effectiveness of the Audit and Corporate Governance Committee • Risk Management Update |

Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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